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Cherwell

DISTRICT COUNCIL
NORTH OXFORDSHIRE

Committee: Accounts, Audit and Risk Committee

Date: Wednesday 22 September 2021

Time: 7.30 pm

Venue: Bodicote House, Bodicote, Banbury, Oxon OX15 4AA

Membership

Councillor Mike Kerford-Byrnes (Chairman)

Councillor Conrad Copeland

Councillor Tony Illott

Councillor Tom Wallis

Councillor Hugo Brown (Vice-Chairman)

Councillor Matt Hodgson

Councillor Nicholas Mawer

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. Minutes (Pages 7 - 10)

To confirm as a correct record the Minutes of the meetings of the Committee held on 28 July 2021.

5. Chairman's Announcements

To receive communications from the Chairman.

6. **Urgent Business**

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

7. **Monthly Performance, Risk and Finance Monitoring Report** (Pages 11 - 46)

Report of Director of Finance and Head of Insight and Corporate Programmes

Purpose of report

This report summarises the Council's Performance, Risk and Finance monitoring positions as at the end of July 2021. The Committee will focus on the risk elements of the report.

Recommendations

The meeting is recommended:

- 1.1 To note the monthly Performance, Risk and Finance Monitoring Report.

8. **Review of Those Charged with Governance** (Pages 47 - 58)

Report of the Director of Finance

Purpose of report

To set out the response to Ernst & Young (EY) regarding the review of management assurance.

Recommendations

The meeting is recommended to:

- 1.1 Note the draft response relating to management assurances from Those Charged with Governance at Appendix 1.
- 1.2 Agree that the Director of Finance, in conjunction with the Chairman of the Accounts, Audit and Risk Committee, make any further changes to the response relating to management assurances from Those Charged with Governance at Appendix 1 that may arise as a result of the audit.

9. **External Audit - Annual Audit Opinion 2020/21** (Pages 59 - 154)

Report of the Director of Finance

Purpose of report

To receive a report setting out the External Audit Opinion for 2020/21.

Recommendations

The meeting is recommended to:

- 1.1 Note the contents of the External Audit Opinion (ISA260) for 2020/21 from our External Auditors, Ernst & Young (EY).

10. **Statement of Accounts Update** (Pages 155 - 314)

*** Appendix 2 to this report will follow as it is currently being reviewed and finalised

Report of the Director of Finance

Purpose of report

To receive a report to ask Members to consider the following:

- Changes to be incorporated to the draft statement of accounts.

Recommendations

The meeting is recommended to:

- 1.1 That the Draft Statement of Accounts 2020/21 be endorsed, subject to the required changes identified to date in Appendix 2, and once the final audit opinion is received the Director Finance (S151 Officer), in consultation with the Chair of the Accounts, Audit and Risk Committee (or Vice Chair in case the Chairman is unavailable) be authorised to sign the accounts and it be noted that, if any material changes to the accounts are required, then an additional committee meeting would be convened to consider the changes.
- 1.2 Agree that the Director of Finance, in consultation with the Chair of the Committee (or Deputy Chair in their absence), can make any further changes to the letters of representation that may arise during completion of the audit.

11. **Treasury Management Q1 Update 2021/22** (Pages 315 - 322)

Report of the Director of Finance

Purpose of report

To receive information on treasury management performance and compliance with treasury management policy for 2021-22 as required by the Treasury Management Code of Practice.

Recommendations

The meeting is recommended:

- 1.1 To note the contents of the Quarter 1 2021-22 Treasury Management Report.

12. **Internal Audit Progress Report 2021/22** (Pages 323 - 338)

Report of the Director of Finance

Purpose of report

The report presents the Internal Audit Progress report for 2021/22

Recommendations

The meeting is recommended:

- 1.1 To note the progress with the 2021/22 Internal Audit Plan and the outcome of the completed audits.

13. Work Programme (Pages 339 - 340)

To consider and review the Work Programme.

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

Information about this Meeting

Apologies for Absence

Apologies for absence should be notified to democracy@cherwell-dc.gov.uk or 01295 221554 prior to the start of the meeting.

Declarations of Interest

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

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

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

Evacuation Procedure

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

Access to Meetings

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

Mobile Phones

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

Queries Regarding this Agenda

Please contact Sharon Hickson, Democratic and Elections democracy@cherwell-dc.gov.uk, 01295 221554

Yvonne Rees
Chief Executive

Published on Tuesday 14 September 2021

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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, Oxon OX15 4AA, on 28 July 2021 at 6.30 pm

Present:

Councillor Mike Kerford-Byrnes (Chairman)
Councillor Hugo Brown (Vice-Chairman)
Councillor Matt Hodgson
Councillor Tony Ilott
Councillor Nicholas Mawer
Councillor Tom Wallis
Councillor Sean Woodcock

Apologies for absence:

Councillor Conrad Copeland

Officers:

Lorna Baxter, Director of Finance & Section 151 Officer
Michael Furness, Assistant Director Finance
Sukdave Ghuman, Head of Legal Services
Sarah Cox, Chief Internal Auditor
Tessa Clayton, Audit Manager
Joanne Kaye, Strategic Business Partner
Sharon Hickson, Democratic and Elections Officer
Aaron Hetherington, Democratic and Elections Team Leader

16 **Declarations of Interest**

There were no declarations of interest.

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

There were no petitions or requests to address the meeting.

18 **Minutes**

The Minutes of the meetings of the Committee held on 19 May and 21 June 2021 were agreed as correct records and signed by the Chairman.

19 **Chairman's Announcements**

There were no Chairman's Announcements.

20 **Urgent Business**

There were no items of urgent business.

21 **Internal Audit Charter**

The Director of Finance submitted a report which presented the Internal Audit Charter and Internal Audit Quality Assurance Programme for 2021/22.

Resolved

- (1) That, having given due consideration, the Internal Audit Charter be approved.
- (2) That the Quality Assurance and Improvement Programme be noted.

22 **Counter Fraud Annual Plan 2021/22**

The Director of Finance submitted a report presenting the Annual Plan for the Counter-Fraud service at CDC for 2021/22 and a new set of performance indicators that would be reported to the Accounts, Audit and Risk Committee going forward.

In response to Members' questions, the Audit Manager explained the methods available for fraud referrals. The Chief Internal Auditor confirmed that the referral cases figures would be reported by referral method received at the November committee meeting.

Resolved

- (1) That the Annual Counter Fraud Plan for 2021/22 be noted.
- (2) That the updated Counter Fraud Strategy and Performance Framework (annexes to the Minutes as set out in the Minute Book) be noted.

23 **Support to Subsidiaries**

The Director of Finance submitted a report that informed the Committee of the overall level of support provided to the Council's subsidiaries and how this is considered as part of the external audit.

Resolved

- (1) That the report be noted.

24 **Work Programme**

The Assistant Director of Finance informed Members that dates for the November, January and March, Account Audit & Risk Committee meetings may be changed, members will be informed once dates have been confirmed

Resolved

- (1) That the work programme be noted.

25 **Exclusion of Press and Public**

Resolved

That under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following item(s) 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.

26 **Support to Subsidiaries - Exempt Appendix**

Resolved

- (1) That the exempt appendix be noted.

The meeting ended at 6.59 pm

Chairman:

Date:

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Cherwell District Council

Accounts, Audit and Risk Committee

22 September 2021

Monthly Performance, Risk and Finance Monitoring Report

Report of Director of Finance and Head of Insight and Corporate Programmes

This report is public.

Purpose of report

This report summarises the Council's Performance, Risk and Finance monitoring positions as at the end of July 2021. The Committee will focus on the risk elements of the report.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the monthly Performance, Risk and Finance Monitoring Report.




2.0 Introduction

- 2.1 The Council is committed to performance, risk and budget management and reviews progress against its corporate priorities on a monthly basis.
- 2.2 This report provides an update on progress made during July 2021 and reflects on the past 5 months in delivering the Council's priorities through reporting on Performance, the Leadership Risk Register and providing an update on the financial position.
- 2.3 The Council's performance management framework sets out the key actions, projects and programmes of work that contribute to the delivery of the 2021-22 business plan and the priorities of the Council. These measures and key performance indicators are reported on a monthly basis to highlight progress, identify areas of good performance and actions that have been taken to address underperformance or delays.
- 2.4 As part of monthly reporting, the Insight Team provides the Senior Management Team with a corporate complaints report. Complaints received during the month are monitored and analysed. The mandatory lessons learned data have been implemented for more than a year now and we are starting to see a decrease in the number of upheld complaints. Lessons learned are reported to CEDR (Chief Executive Direct Reports) and progress is monitored to ensure actions are implemented to avoid the same complaint being reported.

- 2.5 The Council maintains a Leadership Risk Register that is reviewed on a monthly basis. The latest available version of the risk register (at the date this report is published) is included in this report (appendix 1).
- 2.6 The report details section is split into three parts:
- Performance Update
 - Leadership Risk Register Update
 - Finance Update
- 2.7 There is one appendix to this report:
- Appendix 1 - Leadership Risk Register – July 2021

3.0 Report Details

- 3.1 The Council’s performance management framework sets out key actions, projects and programmes of work that contribute to deliver the 2021-22 business plan (see Appendix 1) and the priorities of the Council.
- 3.2 The 2021-22 business plan sets out four strategic priorities:
- Housing that meets your needs
 - Leading on environmental sustainability
 - An enterprising economy with strong and vibrant local centres
 - Healthy, resilient and engaged communities
- 3.3 This report provides a summary of the Council’s performance in delivering against each strategic priority. To measure performance, a ‘traffic light’ system is used. Where performance is on or ahead of target it is rated green, where performance is slightly behind the target it is rated amber. A red rating indicated performance is off target.

Colour	Symbol	Tolerances for Business Plan Measures	Tolerances for Key Performance Measures (KPIs)
Red		Significantly behind schedule	Worse than target by more than 10%.
Amber		Slightly behind schedule	Worse than target by up to 10%.
Green		Delivering to plan / Ahead of target	Delivering to target or ahead of it.

Priority: Housing that meets your needs

- 3.4 The Council is committed to deliver affordable housing, raising the standard of rented housing and find new and innovative ways to prevent homelessness. Also, to promote innovative housing schemes, deliver the local plan and supporting the most vulnerable people in the District.
- 3.5 **Overview of our performance against this strategic priority:**

% of major planning applications determined to National Indicator reported Green for July and year to date. Another improvement from recorded Red, for both, month and year to date, last month. Whereas last month one major appeal was overturned, no major planning appeals were determined by the Planning Inspectorate, during July 2021.



Homeless Prevention reported Amber for July and for year to date. Due to the courts resuming eviction hearings the council has seen an increase in the number of families requiring emergency accommodation. As per the countywide Homelessness and Rough Sleeping Strategy, approved by Executive on 05th July, the team continues to be focused on early intervention to prevent homelessness.



Average time taken to process Housing Benefit change events reported Amber for July and Green for year to date (running slightly above target of 8.06 against target of 8.00 days). Due to one claim having a high number of days when assessed (over 1000 days). However, the target should be back to below target figures next month.

Priority: Leading in environmental sustainability

- 3.6 The Council is committed to deliver on sustainability and in the commitment to be carbon neutral by 2030, promotes the Green Economy and increases recycling across the district. This priority includes the protection of our natural environment and our built heritage, working in partnerships to improve air quality in the district and the reduction of environmental crime.
- 3.7 **Overview of our performance against this strategic priority:**

Reduction of fuel consumption used by fleet reported Green for July and Amber for year to date (40,257 against a target of 40,422 tonnes). An incredible recovery from last month's Red and Amber reported, thanks to a slight decrease in fuel usage, against the same time last year.

High Quality Waste and recycling service to residents to support a sustainable lifestyle reported residual waste



and dry recycling at the same levels as last year, continuing to show the team's commitment to providing a consistently high-quality service delivery throughout the pandemic. As people continue working from home, the percentage of household waste recycled continues to be high, delivering at 57.5% against a national average of 46.2% (UK figure for 2019 published in July 2021 by DEFRA).

Develop the Country Parks to support good lifestyle choices reported Amber for July and year to date. Project Manager recruitment process is in place. The team is unable to quantify progress at this stage. Social media will be used to promote progress of the country park.

Priority: An enterprising economy with strong and vibrant local centres

3.8 The Council is committed to support business retention and growth, developing skills and generating enterprise; also, securing infrastructure to support growth in the district and securing investment in our town centres. This priority also contributes towards making communities thrive and businesses grow promoting the district as a visitor destination, committing to work with businesses to ensure compliance and promote best practice.

3.9 **Overview of our performance against this strategic priority:**

Develop a Recovery and Prosperity Strategy (RPS) reported Green for July and year to date. Running slightly behind as the emerging ten-year Economic Strategy, for Cherwell, which has been reframed and refocused, as a ten-year post-COVID-19 Recovery and Prosperity strategy. A draft is being reviewed and prepared for consultation.



% of Business Rates collected, increasing NNDR Base reported Green for July and Red for year to date (9.78% against a target of 9.00%), a considerable recovery from last month's recorded target. The amount of business rates due in 2021/22, now, stands at £82.9m. The amount due has decreased from last month following contact from businesses either applying or requesting the removal of the expanded retail relief. These late notifications have impacted the collection rates, as changes to instalment-plans require 14 days-notice, therefore, businesses didn't pay July instalment, waiting for their account to be adjusted. We continue to formally recover arrears by issuing reminder notices and taking court action where appropriate.

Digital Consultation launched to shape the future of the OxCam Arc. The Oxford-Cambridge (OxCam) Arc is the name given to the area identified by government as a key economic priority with the potential to be one of the most prosperous, innovative and sustainable economic areas in the world. Made of five ceremonial counties: Oxfordshire, Bedfordshire, Buckinghamshire, Cambridgeshire, and Northamptonshire. People across the Oxford Cambridge Arc, and all with an interest in the area, will have the opportunity to contribute having their say to the long-term



development of the area. Part of a government consultation initiative, with focus (by the panel) between Bedford and Cambridge, where the government is examining opportunities to bring forward well-designed, inclusive and sustainable places, for work and living.



% of Council Tax collected, and Council Tax Base reported Amber for July and year to date (9.04% against target of 9.50%), slightly behind from last month's recorded target. The amount of Council Tax collected (2021/22) has risen to just over £116.3m, with recorded figure of 38.66% against a target of 39% collection, for the year. Whilst the in-month collection and year to date figures are both slightly

short target, recovery action remains ongoing. Reminder notices continued to be issued and customers who have remained in arrears are being pursued through court action.

Priority: Healthy, resilient and engaged communities

3.10 The Council is committed to enabling all residents to lead an active life, improving and developing the quality of local sports and leisure facilities and promoting health and wellbeing in our communities. Also, supporting community and cultural development, working with our partners to address the causes of health inequalities and deprivation, and to reduce crime and anti-social behaviour.

3.11 Overview of our performance against this strategic priority:

Report points the way to a zero carbon Oxfordshire. We are one of the organisations involved in commissioning the report committed to playing its role in delivering a zero carbon Cherwell and using its influence on cut emissions. The report acknowledges that Oxfordshire made rapid progress reducing carbon emissions, over the last decade, but with this momentum, is committed to facing challenges and building the work on zero carbon initiatives by reviewing report's findings with other Oxfordshire partner organisations.

Spiceball Leisure Centre footbridge reopens for summer. The footbridge over the River Cherwell linking Spiceball Leisure Centre to Spiceball Road has reopened after its closure during the development of Castle Quay Waterfront and it is the latest milestone achieved in the regeneration of this canal side destination, in Banbury, and will greatly improve public access to Spiceball Leisure Centre.



Summary of Performance

3.12 The Council reports monthly on performance against 28 Business Plan Measures, with 13 Programme Measures and 15 Key Performance Indicators.

Programme Measures and Key Performance Indicators (28)

Status	Description	July	%	DoT	YTD	YTD %
Green	On target	24	86%	↑	23	82%
Amber	Slightly off target	4	14%	↔	4	14%
Red	Off target	0	0%	↓	1	4%

Service in Focus - Housing & Social Care Commissioning

At the Cherwell District Council Executive meeting on 5 July 2021 a countywide Homelessness and Rough Sleeping Strategy for 2021-26 was approved. It sets out early intervention to prevent homelessness and, also, commits to engage with people who have lived experience of homelessness to design and deliver homelessness prevention and support services in future, with:

- Vulnerable single adults - 9 additional units of accommodation provided for people that were homeless or at risk of rough sleeping. Using RSI 4, we continued the enhance outreach service and commissioned 16 'Housing First'¹ homes, extending the cold weather service until March 22, to provide emergency accommodation.
- Families and resettlement - 14 families supported to settle in the Cherwell, under the Vulnerable Persons Resettlement Scheme, with a further 4, by the end of March 2022. Feedback has been very positive about the Cherwell vulnerable persons resettlement service.
- Providing more affordable homes - Maximised Oxfordshire growth deal affordable housing programme funding 125 additional affordable homes to be delivered and launched a new draft Tenancy Strategy and Affordability Statement 2021, for public consultation, which sets out our expectations of Registered Providers to deliver more social rent and lifetime tenancies.
- Improving housing conditions and standards - Lunched a new Housing Standards Enforcement Policy to set out powers for the Council to regulate and improve housing and its approach to enforcement². Working cross authority with OCC trading standards on a new regulatory data management system Idox Cloud. Concluding two significant work-in-default jobs totalling £15k. Finally, we continue to advise landlord and tenants on responsibilities and tenancy relations through targeted emails and landlords' newsletter, with 1 illegal eviction case nearing completion.
- Helping people to stay independent at home - A new Disabled Adaptations Policy was approved, in March, resulting in 119 major disabled adaptations and 93 minor adaptations completed, such as, fitting 114 key-safes and 129 homes and repairs through the small repairs service.

¹<https://www.gov.uk/government/publications/housing-first-pilot-national-evaluation-reports/mobilising-housing-first-toolkit-from-planning-to-early-implementation>

²(Public Pack) Agenda Document for Executive, 05/07/2021 18:30 (cherwell.gov.uk)

Risk Update

3.13 The Council maintains a Leadership Risk Register that is reviewed on a monthly basis. The latest available version of the risk register (at the date this report is published) is included in this report.

3.14 The heat map below shows the overall position of all risks contained within the Leadership Risk Register.

Risk Scorecard – Residual Risks

		Probability				
		1 - Remote	2 - Unlikely	3 - Possible	4 - Probable	5 - Highly Probable
Impact	5 - Catastrophic			L07		
	4 - Major		L08 - L15	L03 - L04 - L05 - L06 - L10	L01 - L16	
	3 - Moderate		L09	L02 - L11 - L13 - L17	L14 - L18	L12
	2 - Minor					
	1 - Insignificant					

3.15 The table below provides an overview of changes made to the Leadership Risk Register during the past month. Any significant changes, since the publication of the report, will be reported verbally at the meeting.

Leadership Risk	Score	Direction of travel	Latest Update
L01 Financial Resilience	16 High Risk	↔	Risk reviewed 30/07/21 - Potential impact and comments updated
L02 Statutory functions	9 Low Risk	↔	Risk reviewed 20/08/21 - Comments updated
L03 CDC Local Plan	12 Medium Risk	↔	Risk reviewed 10/08/21 - Comments updated
L04 Business Continuity	12 Medium Risk	↔	Risk Reviewed 09/08/21 – Comments updated
L05 Emergency Planning	12 Medium Risk	↔	Risk Reviewed 09/08/21 – No changes
L06 Health & Safety	12 Medium Risk	↔	Risk reviewed 30/07/21 – No changes
L07 Cyber Security	15 Medium Risk	↔	Risk Reviewed 30/07/21 - Mitigating actions updated
L08 Safeguarding the Vulnerable	8 Medium Risk	↔	Risk reviewed 11/08/21 - Risk owner updated
L09 Sustainability of Council owned companies and delivery of planned financial and other objectives.	6 Low Risk	↔	Risk reviewed 11/08/21 - Risk Manager updated
L10 Financial sustainability of third-party suppliers and contractors	12 Medium Risk	↔	Risk reviewed 11/08/21 - No changes

L11 Corporate Governance	9 Low Risk	↔	Risk reviewed 20/08/21- Mitigating actions and comments updated
L12 Oxfordshire Growth Deal	15 Medium Risk	↔	Risk reviewed 10/08/21 - Risk Manager and Comments updated
L13 Joint Working	9 Low Risk	↔	Risk reviewed 11/08/21 - No Update
L14 Legacy Shared Services Partnership – West Northamptonshire Council	12 Medium Risk	↔	Risk reviewed 11/08/21 - No Update
L15 Workforce Strategy	8 Medium Risk	↔	Risk reviewed 11/08/21- Comments updated
L16 Covid19 Community and Customers	16 High Risk	↔	Risk reviewed 24/08/21 – Comments updated
L17 Covid19 Business Continuity	9 Low Risk	↔	Risk reviewed 11/08/21 – No changes
L18 Post Covid19 Recovery	12 Medium Risk	↔	Risk reviewed 11/08/21 - No Update

During July the leadership risk register had no score changes. “L19 Elections May 2021” has been closed.

Finance Update

3.16 The Council’s forecast position for 2021/22 at the end of July shows a £1.191m overspend as shown in Table 1. This is made up of potential non-delivery of savings targets of £0.566m and an overspend of £0.625m on business as usual costs as shown in Table 2.

3.17 Report Details

Table 1: Forecast Year End Position

Forecast overview - July 2021	Original Budget £m	Current Budget £m	Year End Position at July £m	July Variance (Under)/ Over £m	% Variance to current budget %	July Forecast Over / (Under) £m	Change since July (better) / worse £m
Environment and Place Customers, Org. Dev. And Resources	6.699	9.970	11.205	1.235	12.4%	1.103	0.132
Adults and Housing Services	5.682	5.939	6.544	0.605	10.2%	0.429	0.176
Public Health and Wellbeing	1.844	2.957	2.977	0.020	0.7%	0.020	0.000
Comm. Dev. Assets and Inv.	1.816	2.969	3.169	0.200	6.7%	(0.040)	0.240
	0.076	0.290	1.273	0.983	339.0%	0.268	0.715
Subtotal Directorates	16.117	22.125	25.168	3.043	13.8%	1.780	1.263
Executive Matters	2.769	(3.467)	(3.927)	(0.460)	(13.3%)	(0.477)	0.017

Policy Contingency	3.487	3.715	2.323	(1.392)	(37.5%)	(0.450)	(0.942)
Total	22.373	22.373	23.564	1.191	5.3%	0.853	0.338

FUNDING	(22.373)	(22.373)	(22.373)	0.000	0.0%	0.000	0.000
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(Surplus)/Deficit	0.000	0.000	1.191	1.191		0.853	0.338
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Table 2: Analysis of Forecast Variance – July

Breakdown of current month forecast	Forecast Variance	Forecast Base Budget Over/ (Under)	Savings Non-Delivery
	£m	£m	£m
Environment and Place	1.235	0.838	0.397
Customers, Org. Dev. And Resources	0.605	0.570	0.035
Adults and Housing Services	0.020	(0.020)	0.040
Public Health and Wellbeing	0.200	0.171	0.029
Comm. Dev. Assets and Inv.	0.983	0.918	0.065
Subtotal Directorates	3.043	2.477	0.566
Executive Matters	(0.460)	(0.460)	0.000
Policy Contingency	(1.392)	(1.392)	0.000
Total	1.191	0.625	0.566
FUNDING	0.000	0.000	0.000
(Surplus)/(Deficit)	1.191	0.625	0.566

- 3.18 Of the £0.566m savings not expected to be delivered in 2021/22, £0.497m of this is also not expected to be delivered in future years.
- 3.19 The Council is incurring costs and lost income during 2021/22 in relation to COVID-19 across all areas of the Council. The assumption is that costs/losses of income will be incurred generally until late July when COVID-19 restrictions will be lifted. However, there are some areas where there may be a prolonged change in behaviour. In particular lost income is forecast until the end of the financial year in car parking.
- 3.20 When the Council set its budget for 2021/22 the likely financial impact of COVID-19 was taken into consideration and budget provisions were made accordingly. The policy contingency budget of £3.715m includes funding for anticipated lost income and additional costs of COVID-19 in the 2021/22 financial year. In addition,

the Council received £0.720m in COVID-19 grant and expects to claim £0.095m from the Sales, Fees and Charges compensation scheme which is open until the end of July. The forecast financial costs and loss of income associated with COVID-19 continue to be recorded and are shown in Table 3 as a memorandum item. These impacts are assumed within the overall forecast.

Table 3: COVID-19 Impacts included in the 2021/22 Outturn Forecast

COVID-19 Impacts 2021/22	£m
Environment and Place	0.425
Customers, Org. Dev. And Resources	0.004
Adults and Housing Services	0.000
Public Health and Wellbeing	0.230
Comm. Dev. Assets and Inv.	1.649
Subtotal Directorates	2.308
Executive Matters	(0.815)
Policy Contingency	0.000
Total	1.493

Note: Executive Matters holds the General COVID-19 funding received.

3.21 Report Details

Environment and Place

Environment and Place have forecast an overspend of £1.235m against a budget of £9.970m (12.4%). This forecast overspend includes £0.838m expected base budget costs and £0.397m in potential savings non-delivery

Environment and Waste	The forecast variance for Environmental Services for July is mostly due to continued pressure within Car Parks, £0.747m reduction in anticipated car parks income, (of which £0.353m is due to the impact of COVID-19). There is also a £0.107m increase in national non-domestic rates. Waste and recycling staffing cost due to the necessary use of agency staff is impacting outturn by £0.233m, there is a £0.049m reduction in expected income and fuel costs are expected to be £0.052m higher. This is offset in part by (£0.158m) savings on refuse disposal charges and a reduction in gate fees plus other small variances across the service of £0.032m.
Variation £1.062m overspend	
Variance to last month's forecast £0.107	

The movement from July is due to an increase in staffing

	costs due to the required use of agency staff plus business waste and bulky collections and car park income levels are lower than expected.
Planning & Development	Planning and Development are forecasting a £0.083m overspend due to agency costs with other minor overspends of £0.005m across the service.
Variation £0.088m overspend	
Variance to last month's forecast £0.00m	
Growth & Economy	Growth and Economy's forecast of £0.085m overspend is made up of £0.030m consultancy costs and £0.055m corporate costs in relation to Oxford to Cambridge ARC and the annual Growth board contribution
Variation £0.085m overspend	
Variance to last month's forecast £0.025m	

Customers and Organisational Development

Customers & Organisational Development have forecast an overspend of £0.605m against a budget of £5.939m (10.2%). This forecast overspend includes £0.570m base budget costs and savings of £0.152m at risk of delivery.

HR/IT/Comms/Cultural Services	The forecast overspend of £0.121m in IT is due to a pressure on the delivery of savings required of £0.117m and small overspends across the service of £0.004m. A full review is underway to identify in-year mitigations including a review of joint working costs and potential savings through working with OCC, and the legacy costs associated with delivery of service to what was South Northants Council
Variation £0.185m overspend	
Variance to last month's forecast £(0.002m)	There is a pressure of £0.035m in the Comms Strategy and Insight savings proposal to deliver business administrative support to directors through a shared provision with OCC.
	HR and Cultural Services are largely on target with combined minor overspends totalling £0.029m
Finance	
Variation £0.420m	There is a forecast overspend for Revenue and Benefits due to £0.174m recovery of overpaid Housing Benefit subsidy by the Department of

overspend	Works and Pensions. Project and recruitment costs relating to the establishment of the new Revenues and Benefits team has resulted in a forecast one-off overspend of £0.104m. In addition, a £0.048m overspend on insurance premiums, a £0.068m overspend on agency costs in Finance and £0.026m other small overspends across the service.
Variance to last month's forecast £0.178m	
	The movement of £0.178m from last month is due to the project and recruitment costs associated with the creation of the new Revenues and Benefits team.

Adults and Housing Services

Adults and Housing Services have forecast an overspend of £0.020m against a budget of £2.957m, (0.7%). This forecast overspend includes £0.020m base budget savings and £0.040m in potential savings non-delivery

Housing & Social Care	The forecast outturn for Housing is expected to be largely on track with £0.020m overspends across the service
Variation £0.020m overspend	
Variance to last month's forecast £0.00m	

Public Health & Wellbeing

Public Health & Wellbeing forecast an overspend of £0.200m against a budget of £2.969m (6.7%) This forecast overspend includes £0.171m within the base budget and £0.029m in potential savings non-delivery

Wellbeing	Wellbeing is forecasting an overspend of £0.200m. This is made up of £0.230m COVID-19 costs of which £0.180m relates to loss of benchmarking income in relation to the leisure contract. In addition, there are other savings of (£0.030m) across the service.
Variation £0.200m overspend	
Variance to last month's forecast £0.240m	The Council has set aside a contingency for the COVID-19 costs, which will be brought into the accounts once the final outturn is known. The assumption within Policy Contingency is an underspend of £0.230m to offset this forecast overspend.
	The movement this month is due to the recognition of COVID-19 costs and other minor variances.

Healthy Place Shaping	Healthy Place Shaping are currently projecting to be on target.
Variation £0.000m	
Variance to last month's forecast £0.00m	

Commercial Development, Assets and Investments

The Directorate is forecasting an overspend of £0.983m against a budget of £0.290m (339.0%). This forecast overspend includes £0.918m base budget costs and £0.065m in potential savings non-delivery

Property	Castle Quay is anticipating a net overspend of £1.162m. £1.495m is due to loss of commercial income alongside additional void costs for empty units. Mitigating this slightly are potential savings of (£0.333m) on professional fees.
Variation £1.012m overspend	
Variance to last month's forecast £0.752m	The Council has set aside a contingency of up to £1.603m for these costs, which will be brought into the accounts once the final outturn is known. The assumption within Policy Contingency is an underspend of £1.162m to offset this forecast overspend which is an overall improved position of £0.441m.
	The movement from last month of £0.712m is following a review of anticipated Castle Quay income, and the forecast has been adjusted to reflect that the projected income not as high as previously expected.
	The rest of the Property service area is forecasting an underspend of (£0.150m). This is as a result of improved commercial income of (£0.085m) and staff savings of (£0.065m). This is a movement of £0.040m from July's forecast.
Procurement	Procurement are forecasting on track with budget
Variation (£0.000m) underspend	
Variance to last month's forecast £0.00m	
Law and Governance	Law and Governance's forecast overspend is due to £0.077m salary and employee cost pressures.
Variation	

£0.077m overspend	
Variance to last month's forecast £0.001m	
Growth and Commercial	The underspend forecast is due to savings on a vacant post.
Variation (£0.051m) underspend	
Variance to last month's forecast (£0.038m)	
Regulatory Services	The Regulatory Services forecast underspend is due to (£0.115m) underspend on staff costs and vacant posts offset by £0.065m forecast loss of licensing income plus other minor savings across the service.
Variation (£0.055m) underspend	
Variance to last month's forecast £0.000m	

Executive Matters

Executive Matters forecast is an underspend of (£0.460m) against the budget of (£3.467m) (-37.5%).

Interest	There is an underspend forecast against the budget of £0.435m for 2021/22 mostly as a result of lower interest rate on borrowings.
Variation (£0.435m) underspend	
Variance to last month's forecast £0.000m	
Corporate	The council is forecasting receipt of £0.095m COVID-19 funding as 75% compensation for lost Sales Fees and Charges Income from the Government for the period to 30 th July 2021
Variation (£0.095m) underspend	
Variance to last month's forecast £0.017m	

External Audit
Fees

External Audit fees are anticipated to be £0.070m more than budgeted due to higher than expected final 2019/20 audit fees and an increase in forecast for this year's audit.

Variation
£0.070m
overspend

Variance to last
month's forecast
£0.000m

Policy Contingency

Policy contingency is planned to meet the reduction in commercial income in Commercial Development, Assets and Investments and is forecasting an underspend of (£0.1162m), in addition (£0.230m) is forecast for the Leisure Contract benchmarking payments. There remains £1.392m unallocated after these assumptions are taken into account.

3.22 Forecast Earmarked Reserves and General Balances at July 2021

The table below is a summary of the level of reserves the council holds. Details of the proposed changes for June and July 2021 are set out in Appendix 6

Reserves	Balance 1 April 2021	Original Budgeted use/ (contribution)	Changes agreed since budget setting	Changes Proposed July 2021	Forecast Balance 31 March 2022
	£m	£m	£m	£m	£m
General Balance	(5.087)				(5.087)
Earmarked	(21.328)	(0.577)	1.276	0.048	(20.581)
Ringfenced Grant	(31.556)	22.073	4.934		(4.549)
Subtotal Revenue	(57.971)	21.496	6.210	0.048	(30.217)
Capital	(0.676)		0.020		(0.656)
Total	(58.647)	21.496	6.230	0.048	(30.873)

3.23 Government Grants

Appendix 6 (*not attached to this report*) sets out details of grant funding received by the Council in July 2021. As the value is in excess of £50,000, the Executive is asked to recommend to Council to include this funding and associated scheme in the Capital Programme:

- £1.240m Disabled Facilities Grant

3.2.4 Aged Debt

As at 30 June 2021 the Council had outstanding debt of £4.9m, of which £2.1m is current debt and £2.8m is in recovery. Of the £2.8m in recovery, £0.9m is over 120 days old. A review of debt over 120 days old will be carried out. Appendix 5 shows the profile of the Council's aged debt.

3.25 Capital

There is a forecast in-year underspend of (£2.854m), of which £2.604m is anticipated to be reprofiled in future years. There is an overall forecast decrease in the total cost of schemes of (£0.250m).

Forecast Capital Spend 2021/22

Directorate	Budget £m	Forecast Spend 2021/22 £m	Re- profiled beyond 2021/22 £m	Variance to Budget £m	Prior Month Variance £m
Housing Total	1.244	0.869	0.000	(0.375)	0.000
Comm Dev Assets total	28.630	26.767	1.809	(0.054)	(0.054)
Customers, Org Dev & Resources Total	1.314	1.126	0.225	0.037	0.038
Environment and Place Total	9.255	8.831	0.570	0.146	0.078
Public Health Wellbeing Total	0.505	0.501	0.000	(0.004)	0.014
Total	40.948	38.095	2.604	(0.250)	0.076

3.26 Forecast Variances

Housing:

Housing are forecasting an underspend of (£0.375m) due to reduced activity in delivering Disabled Facilities Grant works during the pandemic. Once approval has been given by Council, the capital programme will increase by £1.240m to reflect the 2021/22 DFG allocation as part of the broader Better Care Fund.

Commercial Development, Assets & Investments:

Property is forecasting to spend £26.752m across various capital schemes. Currently it is anticipated that only one project will recognise a saving and this is the Corporate Asbestos survey at (£0.054m). All other schemes are anticipating full utilisation of budget although some budget may need to be reprofiled into 2022/23 depending on progress made.

Customers Organisational Development & Resources:

ICT are currently forecasting a £0.037m overspend against the Land and Property Harmonisation Scheme. However, it is proposed to repurpose some of the budget relating to one of the other schemes – subject to approval.

Environment and Place:

Growth and Economy are forecasting to spend £5.546m by year end. This is an overspend of £0.146m of which £0.078m relates to retention payments due next year.

Public Health & Wellbeing:

Wellbeing are forecasting spend of £0.501m which is £0.010m over budget in relation to Community grants.

3.27 Re-profile beyond 2021/22

Commercial Development, Assets & Investments:

£1.809m Castle Quay Waterside - reprofiling of the budget beyond 2021/22 is necessary because retention payments will be due following the 12-month defect period from September 2021.

Environment and Place:

Growth and Economy

£0.160m BUILD! Repairs & Improvement (Town Centre Affordable Rent roof repairs) - further survey work is required to establish the specification for the necessary work. In preparation for the tender process structural surveys have revealed further work is required. Discussions are taking place with the freeholder regarding a revised warranty claim.

£0.017m Phase 2 - Bullmarsh Close formally completed early May 2021 and therefore retention payment is due 12 months later in May 2022.

£0.393m Phase 1b - Admiral Holland formally completed September 2020 and retention payment is due September 2022 (£0.061m). Bicester Library planning drawings will be discussed at September's Planning Committee, as a result 50% of the budget has been reprofiled beyond 2021/22. (£0.332m). This will be continually reviewed in line with Planning submission and outcome, approval to proceed and project programme.

Customers, Org Dev & Resources:

£0.075m IT Council Website & Digital Service - the programme of work is currently expected to complete in June 2022

£0.150m IT Shared Services - the programme of work is to extend into 2022/23 Financial Year. The supplier payment will be aligned with timeline

4.0 Conclusion and Reasons for Recommendations

4.1 It is recommended that the contents of this report are noted.

5.0 Consultation

5.1 This report sets out performance, risk and budgetary information for the fourth month of this financial year and as such no formal consultation on the content or recommendations is required.

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: This report illustrates the Council's performance against the 2021-22 business plan. As this is a monitoring report, no further options have been considered. However, members may wish to request that officers provide additional information.

7.0 Implications

Financial Implications

7.1 Financial implications are detailed within section 3.16 to 3.27 of this report.

Comments checked by:

Lorna Baxter, Executive Director Finance, 07393 001218, Lorna.Baxter@cherwell-dc.gov.uk

Legal Implications

7.2 There are no legal implications from this report.

Comments checked by:

Sukdave Ghuman, Head of Legal and Deputy Monitoring Officer, Sukdave.Ghuman@cherwell-dc.gov.uk

Risk Implications

7.3 This report contains a full update with regards to the Council's risk position at the end of July 2021. A revised and refreshed risk management strategy is in place and the Leadership risk register has been fully reviewed.

Comments checked by:

Celia Prado-Teeling, Performance Team Leader, 01295 221556, Celia.prado-teeling@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Lead Councillor

Councillor Richard Mould – Lead member for Performance Management
Councillor Tony Illott – Lead member for Finance and Governance

Document Information

Appendix number and title

- Appendix 1 - Leadership Risk Register – July 2021

Background papers

None

Report Author and contact details

Louise Tustian – Head of Insight and Corporate Programmes
01295 221786, Louise.tustian@cherwell-dc.gov.uk

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Appendix 1 – Leadership Risk Register as at 25/08/2021

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			L07		
	4 - Major		L08 - L15	L03 - L04 - L05 - L06 - L10	L01 - L16	
	3 - Moderate		L09 -	L02 - L11 - L13 - L17	L14 - L18	L12
	2 - Minor					
	1 - Insignificant					

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

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls)			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2021/22						Fully effective Partially effective Not effective											
L01 -	Financial resilience – Failure to react to external financial impacts, new policy and increased service demand. Poor investment and asset management decisions.	Reduced medium and long term financial viability	4	4	16	Medium Term Revenue Plan reported regularly to members.	Fully	Councillor Tony Illot	Lorna Baxter	Michael Furness	4	4	16	Review of workload and capacity across the team. Interim Capital Accountant post recruited to. Advert to recruit additional accountant recently placed. Assessment of national picture undertaken and being reported through senior managers and members highlighting the medium term challenges. Recruited to a further interim accountant post to support with the new business grant schemes that have been introduced as a result of lockdown restrictions.	Maintaining focus in this area with ongoing review, staff and member training and awareness raising. Moving to a risk based approach to budget monitoring in order to address workload issues and vacancies in the team, as well as exploring joint working opportunities with OCC New interim Accountant began in November to bring capacity to assist with anticipated additional test and trace and business grants workload.	Risk reviewed - 30/07/21 - Mitigating actions updated Potential impact and comments updated	
Reduction in services to customers	Balanced medium term and dynamic ability to prioritise resources	Fully				Investment strategy approach agreed and operating and all potential investments now taken through the working groups prior to formal sign off. Robust review and challenge of our investment options to be regularly undertaken through our usual monitoring processes.	Investment options considered as and when they arise, MTFS and budget setting being developed to enhance the scrutiny and quality of investments.										
Increased volatility and inability to manage and respond to changes in funding levels	Highly professional, competent, qualified staff	Partially				Timeliness and quality of budget monitoring particularly property income and capital improving. Financial Systems replacement project in final stages and once fully up and running should provide improved management information. Asset Management Strategy being reviewed and refreshed.	Financial System Solution Project continuing to consider future finance system options, incorporating budget management via Lean, extension of Civica and new procurement.										
Reduced financial returns (or losses) on investments/assets	Good networks established locally, regionally and nationally	Fully				Review of BUILD! to ensure procurement and capital monitoring arrangements are in place and development of forward programme - future work has been placed on hold as part of a capital pipeline of schemes not currently included in the capital programme											
Inability to deliver financial efficiencies	National guidance interpreting legislation available and used regularly	Fully				Finance support and engagement with programme management processes continuing.	Finance business partners involved with reflection locally on outcomes.										
Inability to deliver commercial objectives (increased income)	Members aware and are briefed regularly	Fully				Further integration and development of Performance, Finance and Risk reporting.	Integrated reporting has been embedded										
Poor customer service and satisfaction	Participate in Oxfordshire Treasurers' Association's work streams	Fully				Regular involvement and engagement with senior management across County as well as involvement in Regional and National finance forums.	Engagement with a number of national and regional networks to ensure we are as up-to-date as we can be in relation to potential funding changes from 2021/22 and impact on our MTFS.										
Increased complexity in governance arrangements	Review of best practice guidance from bodies such as CIPFA, LGA and NAO	Fully				Regular member meetings, training and support in place and regularly reviewed. Briefings provided on key topics to members with particular focus on key skills for specific committees such as audit committee.	Regular training will be undertaken.										
Lack of officer capacity to meet service demand	Treasury management and capital strategies in place	Fully				2021/22 Budget set, a review of the process to be discussed at budget planning committee (13/7/21) and revised process to be developed for 2022/23. Updated budget monitoring for 2021/22 with a greater focus on savings delivery.	2021/22 budget set. Review of the 2021/22 budget setting process being planned.										
Lack of financial awareness and understanding throughout the council	Investment strategies in place	Fully				Regular utilisation of advisors as appropriate.	Review of borrowing approach being considered alongside our financial advisors.										
Increased inflation in the costs of capital schemes	Regular financial and performance monitoring in place	Fully				Internal Audits being undertaken for core financial activity and capital as well as service activity.	Regular reporting of progress on internal audits considered by the committee.										
	Independent third party advisers in place	Fully				Assessment of national picture via external advisor has identified that the funding available in later years is likely to be significantly reduced, adding longer term resilience challenges.	Medium/long term position assessed as significantly worse, increasing risk alongside the capacity needed to work on activity to reduce spending levels. The ongoing impact of Covid on business rates and council tax income will be carefully monitored. When the Spending Review is announced this will be analysed to assess what implications this may have for the Council.										
	Regular bulletins and advice received from advisers	Fully				Financial forecasts of resources for 2021/22 have assumed a reduction in resources that will be available from business rates compared to February 2020 assumptions. The budget for 2021/22 has been agreed with savings proposals identified to address these reductions. Close monitoring of the delivery of the savings programme will take place throughout 2021/22 with mitigations required if slippage is identified. If resources fell significantly below the 2021/22 forecast level then a review of which reserves could be made available to mitigate this would be required (e.g. due to greater ongoing impact of Covid-19 or due to further economic shocks in the short-term). A similar approach to reviewing reserve availability could be adopted if the cost of goods we purchase were to increase.	The impact of Covid19 has changed the financial outlook for the Council, with regular updates helping to outline the impact on the Council both in the short, medium and longer term. The Council currently anticipates a significant, short, medium and long term funding shortfall in overall terms. Set alongside the anticipated funding reductions due to start from 2021-22 the financial resilience of the Council could be severely impacted. The Council agreed a revised budget for 2020/21 to address the short term impacts of Covid-19 and provided its Budget and Business Planning Process 2021/22 - 2025/26 report to Executive on 5 October 2020. Chancellor's Spending Review confirmed the delay of the business rates reset. Only a 1 year SR so no additional certainty of funding and any additional Covid related funding is likely to be for one year only. Provisional local government finance settlement has announced some one-off funding to support local government in 2021/22. The Council set its 2021/22 budget on 22 April 2021 and now needs to monitor the delivery of the budget and begin preparations for the 2022/23 budget process										
	Property portfolio income monitored through financial management arrangements on a regular basis	Partially				A business rates reset is assumed from 2022/23 which will significantly reduce the resources available to the Council. Should resources from business rates fall much below this (e.g. due to any further ongoing impacts to the economy) then resources would be supplemented by a "safety net" payment from the Government under the current regime. The budget process for 2022/23 will need to begin shortly after setting the 2021/22 budget to identify further savings necessary to operate within this level of resources.											
	Asset Management Strategy in place and embedded. Transformation Programme in place to deliver efficiencies and increased income in the future	Partially Fully	Where the Government has issued consultations on future approaches to funding local government CDC has responded to ensure its views are considered.														
			New capital bids submitted will be questioned to ensure increases in cost assumptions have been reflected.														

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls)			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2021/22						Fully effective Partially effective Not effective											
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 Inability to deliver council's plans Inability to realise commercial opportunities or efficiencies Reduced resilience and business continuity Reduced staff morale, increased workload and uncertainty may lead to loss of good people	3	4	12	Embedded system of legislation and policy tracking in place, with clear accountabilities, reviewed regularly by Directors. Clear accountability for responding to consultations with defined process to ensure Member engagement National guidance interpreting legislation available and used regularly Risks and issues associated with Statutory functions incorporated into Directorate Risk Registers and regularly reviewed. Clear accountability for horizon scanning, risk identification / categorisation / escalation and policy interpretation in place Robust Committee forward plans to allow member oversight of policy issues and risk management, including Scrutiny and Audit Internal Audit Plan risk based to provide necessary assurances Strong networks established locally, regionally and nationally to ensure influence on policy issues. In addition two Directors hold leading national roles. Senior Members aware and briefed regularly in 1:1s by Directors Arrangements in place to source appropriate interim resource if needed Ongoing programme of internal communication Programme Boards in place to oversee key corporate projects and ensure resources are allocated as required. CDC Extended Leadership Team (ELT) Meetings established to oversee and provide assurance on key organisational matters including resourcing. Partnership Working Group established with OCC to oversee joint working opportunities.	Partially Fully Fully Fully Partially Fully Fully Fully Fully Fully Fully Fully Fully Fully Fully	Councillor Barry Wood	Anita Bradley	Sukdave Ghuman	3	3	9	↔	Establish corporate repository and accountability for policy/legislative changes taking into consideration all of the Council's functions. Review Directorate/Service risk registers. Ensure Committee forward plans are reviewed regularly by senior officers. Ensure Internal Audit plan focusses on key leadership risks. New legislation and Government guidance in response to COVID19 and in the recovery phase will assist service adjustment. Allocate specific resource to support new projects/policies or statutory requirements e.g. GDPR. Learning and development opportunities identified and promoted by the Chief Executive and Directors. Regular communications from Chief Executive. Quarterly staff briefings from Assistant Directors. External support secured for key corporate projects including CDC/OCC joint working, Growth Deal and IT Transformation Programme.	Following Brexit and the end of the EU transition period legal advice is provided upon emerging issues. Development in legislation continues to be closely monitored as implemented e.g. subsidy control (formerly state aid regime) being reviewed and government guidance tracked as it is developed and published. This risk is undergoing a review and further changes will be reflected in next month's update. A focus on income generation is being explored across both teams.	Risk reviewed - 20/08/2021 Mitigating actions and comments updated

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls)			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2021/22																	
L03 -	CDC Local Plan - Failure to ensure sound, up to date local plan remains in place for Cherwell resulting in poor planning decisions such as development in inappropriate locations, inability to demonstrate an adequate supply of land for housing and planning by appeal	Poor planning decisions leading to inappropriate growth in inappropriate place. Negative (or failure to optimise) economic, social, community and environmental gain Negative impact on the council's ability to deliver its strategic objectives, including its commitments within the Oxfordshire Housing & Growth Deal Increased costs in planning appeals Reputational damage with investor community of Cherwell as a good place to	4	4	16	Local Development Scheme (LDS) is actively managed and reviewed, built into Service Plan, and integral to staff appraisals of all those significantly involved in Plan preparation and review Team capacity and capability kept under continual review with gaps and pressures identified and managed at the earliest opportunity. Some additional resource budgeted for 20/21. Delegations to Chief Exec agreed to ensure timely decisions On-going review of planning appeal decisions to assess robustness and relevance of Local Plan policies	Partially Partially Fully Partially	Councillor Colin Clarke	Bill Cotton	David Peckford	3	4	12	↔	Regular review meetings on progress and critical path review. Regular Corporate Director and Lead Member briefings. LDS updated as required with programme management approach adopted to ensure progress against plan. LDS timeline built into Directorate level objectives (e.g. via Service Plans) and incorporated into SMART targets within staff appraisals. Authority Monitoring Reports continue to be prepared on a regular annual basis. Regular Corporate Director and Lead Member briefings LDS updated as required with programme management approach adopted to ensure progress against plan LDS timeline built into Directorate level objectives (e.g. via Service Plans) and incorporated into SMART targets within staff appraisals. Authority Monitoring Reports continue to be prepared on a regular annual basis.	The Local Development Scheme (LDS) was updated in March 2020. It includes the programmes for the Partial Review of the Local Plan, the Oxfordshire Plan 2050, a Local Plan Review, the Banbury Canalside Supplementary Planning Document and work on a Community Infrastructure Levy (CIL). The Partial Review of the Local Plan was adopted by Council on 7 Sept 2020. A legal challenge to the Plan was heard by the courts on 23/24 June 2021 but successfully defended by the Council. An Options Consultation for the Oxon Plan commenced on 30 July 2021. An issues consultation for the Cherwell Local Plan Review was completed on 14 Sept 2020 in accordance with the LDS timetable. An Options Paper will go to Executive in September. Re-starting work on the Canalside SPD and CIL is subject to priority and resource review. A new LDS will be presented to the Executive in September.	Risk reviewed 10/08/2021 - comments updated
L04-	Business Continuity - Failure to ensure that critical services can be maintained in the event of a short or long term incident affecting the Councils' operations	Inability to deliver critical services to customers/residents Financial loss/ increased costs Loss of important data Inability to recover sufficiently to restore non-critical services before they become critical Loss of reputation Reduced service delivery capacity in medium term due to recovery activity	4	4	16	Business continuity strategy, statement of intent and framework in place and all arrangements overseen by a Business Continuity Steering Group Services prioritised and recovery plans reflect the requirements of critical services ICT disaster recovery arrangements in place with data centre and cloud services reducing likelihood of ICT loss and data loss Incident management team identified in Business Continuity Framework All services undertake annual business impact assessments and update plans Business Continuity Plans tested annually All services maintain business continuity plans	Fully Fully Fully Partially Fully Partially Fully	Councillor Andrew McHugh	Rob MacDougall	Richard Webb	3	4	12	↔	Business Continuity Statement of Intent and Framework reviewed annually Cross-council BC Steering Group meets regularly to identify BC improvements needed ICT transition to data centre and cloud services have reduced likelihood of ICT loss and data loss Corporate ownership and governance sits at senior officer level BC Impact assessments and BCPs to be updated and reviewed by OCC's Emergency Planning team BC exercises to be arranged Updated incident management framework in development	Business continuity status reports being collated and reviewed bi-weekly in view of increased infection rates and new national restrictions. The Council has continued to provide critical services throughout the lockdown periods. Remote working enables most teams to work effectively from home and sustain services whilst also avoid unnecessary social contacts. A new incident management framework has been adopted for the council and aligns our incident response arrangements with OCCs. Work has started on aligning the council's BC statement of intent and framework support this new incident management framework.	Risk Reviewed 09/08/2021 - Comments updated

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls)			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2021/22																	
L05 -	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 Reputational damage	4	4	16	Emergency Plan in place and key contact lists updated monthly. Emergency Planning Lead Officer defined with responsibility to review, test and exercise plan and to establish, monitor and ensure all elements are covered Added resilience from Oxfordshire County Council's Emergency Planning Team. Under partnership arrangements. Senior management attend Civil Emergency training Multi agency emergency exercises conducted to ensure readiness On-call rota established for Duty Emergency Response Co-ordinators Active participation in Local Resilience Forum (LRF) activities	Fully Fully Fully Partially Partially Fully Fully	Councillor Andrew McHugh	Rob MacDougall	Richard Webb	3	4	12	↔	Emergency plan contacts list being updated monthly and reissued to all duty managers. OCC Emergency Planning providing expert advice and support under a partnership arrangement. Accountability for both OCC and CDC's arrangements now sit with the Chief Fire Officer who reviews the arrangements with the Assistant Director. Supporting officers for incident response identified in the emergency plan and wallet guide Refreshed incident management plan under development to align with OCC Training being arranged for Duty Directors. All senior managers who provide the Duty Director rota have attended multi-agency exercises and duty manager training with OCC senior managers. On-call rota being maintained and to be updated to reflect recent staffing changes Authority continues to be represented at the Local Resilience Forum	The Emergency Plans which were enacted and command structures established with partner organisations to support the response to the Covid-19 pandemic are now being relaxed as the situation improves. Recovery work continues. Partners continue to liaise with organisers of planned events to ensure they have robust infection management arrangements in place and that there is awareness of all the events being organised. The council is maintaining its duty director rota for any other emergency incidents that might arise. A refresh of the council's emergency plans is being progressed to provide a clearer framework for incident response aligned with the Local Resilience Forum. Senior manager training is being developed following changes in personnel.	Risk Reviewed 09/08/2021 - No changes.

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2021/22																	
L06-	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	5	4	20	Health & Safety Corporate HS&W Policy and Corporate Arrangements & guidance in place as part of the HSE's recommended Management System HSG 65. Organisations have a legal duty to put in place suitable arrangements to manage health & safety.	Partially	Councillor Lynn Pratt	Steve Jorden	Martin Green	3	4	12	↔	The Corporate Health, Safety and Wellbeing Policy was ratified BPM meeting on 17th June 2020. The Corporate arrangements are in the process of being reviewed and updated to ensure they are in line with Oxfordshire County Council. When updated these will be uploaded onto the intranet.	The Health and Safety Assurance Board receives a quarterly report from the Corporate H&S Manager.	Risk reviewed 30/07/2021 No changes
Criminal prosecution for failings	Clearly identified accountability and responsibilities for Health and Safety established at all levels throughout the organisation	Fully				Following the ratification of the Corporate Health, Safety and Wellbeing Policy all Assistant Directors were asked to complete a Departmental Risk Assessment Checklist. The Checklist identified the areas of risk within the department and whether there is a risk assessment in place to cover the risks. So far 9 departments have responded. Following the departure of the Interim Director of Finance/ Health and Safety Champion and the appointment of Corporate Director – Commercial Development, Assets and Investment who has become the Corporate Health and Safety Champion, the Corporate Health and Safety Policy will be reviewed and aligned with OCC's. Once completed this will go to CEDR for ratification by CEDR.	Corporate Health and Safety Team to ensure all departments to responds to the Departmental Risk Assessment Checklist and to follow up with departments on areas of concern. Responses are being collated on a central spreadsheet which will become the database of all risk assessments across the Council.										
Financial loss due to compensation claims	Corporate H&S Manager and H&S Officer in post to formalise the H&S Management System & provide competent H&S advice and assistance to managers & employees.	Fully				As Health and Safety Officers are in place no further action is required and risk mitigated.	These two posts are established posts and budgeted accordingly to secure future funding for continuity.										
Enforcement action – cost of regulator (HSE) time	Proactive monitoring of Health & Safety performance management internally	Fully				A 2-year internal Health and Safety Audit programme is in place covering the period until May 2023. The health and safety internal audit programme covers all elements of our overall H&S management system to ensure compliance with legislative standards. The full programme of audits was temporarily on hold due to the Coronavirus Lockdown, however health and safety checks on the front line operations of Environmental Services and workplace inspections have now recommenced.	The H&S team are conducting health and safety inspections internally across all services and teams. To date a total of 11 audits have been carried out across the Council however, the audits are currently on hold due to Corona Virus. The audit reports have been provided to the relevant service managers, including recommendations, advise and timescales for remediation.										
Increased agency costs	Effective induction and training regime in place for all staff	Partially				Implementation of a new e-learning package has commenced. Modules have been assigned to staff based on their positions. Deadline for completion of these modules was January 2020. Modules include training on Health and Safety, DSE, Manual Handling, Lone working etc.											
Reduction in capacity impacts service delivery	Positive Health & Safety risk aware culture	Partially				Good awareness in higher risk areas of the business, e.g. Environmental Services. However other areas need improved awareness of risk assessment process. This needs to be achieved by a review of training needs across CDC and the mandatory training of managers on risk assessment. Property team have undertaken a review of CDC owned operational properties to ensure health and safety compliance is fully maintained in line with the legislative compliance requirements.	A review has been undertaken of all CDC owned properties to ensure that fire risk assessments, water hygiene surveys and asbestos surveys have been completed where required. A compliance review of tenanted properties leased by CDC is also under way to ensure that the tenants are managing the property in accordance with legislative requirements.										
Reputational Impact	Corporate Health & Safety meeting structure in place for co-ordination and consultation	Partially				Currently the Council has no formal committee structure in place for the consultation of health safety with staff.	A proposal for the formation of a Health and Safety Committee to report to the ELT will be submitted to ELT once stability has been achieved following COVID 19. The purpose of this committee, if ratified, will monitor the activities of the Corporate Health and Safety Team and to act as a scrutiny committee for the Corporate Arrangements.										
	Corporate body & Member overview of Health & Safety performance	Fully				Quarterly reporting to ELT and to the Portfolio Holder by the Corporate Health and Safety Manager	Reporting dates have been agreed and adhered to.										
	Assurance that third party organisations subscribe to and follow Council Health & Safety guidelines and are performance managed where required	Fully	Robust procurement process that requires health and safety documentation and commitment to be proven prior to engagement of contractors.	Corporate Health and Safety has scheduled to undertake a review of Procurement process to ensure compliance.													

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L07-	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.	<p>Service disruption</p> <p>Financial loss / fine</p> <p>Prosecution – penalties imposed</p> <p>Individuals could be placed at risk of harm</p> <p>Reduced capability to deliver customer facing services</p> <p>Unlawful disclosure of sensitive information</p> <p>Inability to share services or work with partners</p> <p>Loss of reputation</p>	4	5	20	<p>File and Data encryption on computer devices</p> <p>Managing access permissions and privileged users through AD and individual applications</p> <p>Consistent approach to information and data management and security across the councils</p> <p>Effective information management and security training and awareness programme for staff</p> <p>Password security controls in place</p> <p>Robust information and data related incident management procedures in place</p> <p>Appropriate robust contractual arrangements in place with all third parties that supply systems or data processing services</p> <p>Appropriate plans in place to ensure ongoing PSN compliance</p> <p>Adequate preventative measures in place to mitigate insider threat, including physical and system security</p> <p>Insider threat mitigated through recruitment and line management processes</p> <p>Cookie pop-ups on the website</p> <p>Increased threat to security during Covid-19 period in part due to most staff working from home.</p>	<p>Fully effective</p> <p>Partially effective</p> <p>Not effective</p> <p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Fully</p>	Councillor Ian Corkin	Claire Taylor	David Spilsbury	3	5	15	↔	<p>We are cyber-essentials plus certified which is externally accredited. Microsoft Multi-Factor Authentication is embedded to authenticate users providing an enhanced level of cyber security.</p> <p>Accounts, Audit & Risk Committee Members have been given presentations and formal training on Cyber Security.</p> <p>The Regional Police Cyber Security Advisor have given the IT management team two training sessions (full cyber awareness and table top DR exercise) followed by a series of all-Council staff awareness sessions.</p> <p>Cyber Security is mandatory e-learning for all staff to be completed annually. Members given a Cyber training session with the Police Cyber Security Advisor.</p> <p>IT implemented an intrusion prevention and detection system which is monitored and regular actions are implemented from the resulting reports.</p> <p>Information Management support is provided to Cherwell as part of a joint working relationship with Oxfordshire County Council.</p> <p>Cyber Awareness e-learning available and is part of new starters induction training.</p> <p>Cyber Security issues regularly highlighted to all staff.</p> <p>External Health Check undertaken January 2020, no high risk security issues highlighted.</p> <p>Internal Audit completed a cyber audit in June 2020 with no major issues or significant risks identified. The findings have an agreed action plan in place.</p> <p>Cookiebot live on website for users to confirm cookie preferences.</p> <p>Joint OCC/CDC Cyber Security Officer started work August 2020</p> <p>Additional IT security advice provided for all staff during the Covid-19 working at home period including online coronavirus related scams.</p>	<p>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. The controls and any further controls will not reduce the potential impact should the risk occur e.g. if we were subject to a ransomware attack the effect on the council could be catastrophic. We do have controls in place to prevent this happening and plans to deal with and recover from such an incident should it occur.</p> <p>The controls in place have reduced the probability from 'probable' to 'possible', we don't believe that this is reduced further to the point of it being 'unlikely' as it is possible we could be subjected to either a cyber incident or data breach within the Council.</p>	Risk Reviewed 30/07/21 - Mitigating actions updated

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L08-	Safeguarding the vulnerable (adults and children) - Failure to follow our policies and procedures in relation to and service delivery that 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	4	4	16	Safeguarding lead in place and clear lines of responsibility established Safeguarding Policy and procedures in place Information on the intranet on how to escalate a concern Mandatory training and awareness raising sessions are now in place for all staff. Safer recruitment practices and DBS checks for staff with direct contact Community Safety Partnership reflect the actions needed to reduce exploitation Data sharing agreement with other partners Attendance at Children and Young People Partnership Board (CYPPB) Annual Section 11 return compiled and submitted as required by legislation. Engagement with Joint Agency Tasking and Co-ordinating Group (JATAC) and relevant Oxfordshire County Council (OCC) safeguarding sub group. Engagement at an operational and tactical level with relevant external agencies and networks	Fully Fully Fully Fully Fully Partially Fully Fully Fully Fully	Councillor Barry Wood	Claire Taylor	Nicola Riley	2	4	8	↔	Web pages up to date Ongoing external awareness campaigns Annual refresher and new training programmes including training for new members Attendance at safeguarding boards and participation in learning events Continue to attend safeguarding board sub groups as necessary to maintain high levels of awareness within the system and compliance with latest practice Continue to support work across the district regarding exploitation through slavery, county lines, domestic violence Regular internal cross departmental meetings to discuss safeguarding practice Action plan acted upon and shared with Overview and scrutiny committee once a year Corporate monitoring of all referrals	New information sharing events have been scheduled to encourage staff to broad their understanding. Member training is under consideration.	Risk reviewed 11/08/2021 - Risk owner updated
L09-	Sustainability of Council owned companies and delivery of planned financial and other objectives - failure of council owned companies to achieve their intended outcomes or fail to meet financial objectives	Unclear governance leading to lack of clarity and oversight in terms of financial and business outcomes Failure of council owned companies to achieve their intended outcomes or fail to meet financial objectives Lack of understanding at officer and member level about the different roles of responsibilities required when managing council owned companies Potential impact of local government re-organisation (Northamptonshire) on CSN (see Risk L17)	3	4	12	Annual business planning in place for all companies to include understanding of the link between our objectives being delivered and financial impact for the council Financial planning for the companies undertaken that will then be included within our own Medium term financial plan Ensure strong corporate governance mechanisms are in place Sound monitoring in place of both business and financial aspects of the companies and the impact on overall council performance Training in place for those undertaking roles relating to the companies	Fully Fully Partially Fully Partially	Councillor Tony Illot	Steve Jordan	Steve Jordan	2	3	6	↔	Changes in the shareholder support side line management been put in place. Additional oversight and capacity from senior managers including performance dashboards at CEDR. Resilience and support being developed across business to support and enhance knowledge around council companies. Skills and experience being enhanced to deliver and support development, challenge and oversight. Work with one company to ensure long term support arrangements are put in place. Ongoing shareholder meetings key to understanding impact of Northamptonshire reorganisation	COVID-19 and resulting operational environment impacting all three companies. Continuing restrictions undermining confidence in the building/ sales/rental markets. CSN continue to handle increased demands through various grant schemes and increased benefit enquiries Gravenhill resumed development within the current restrictions. Looking at schemes to assist buyers. Crown House nearing full occupation ahead of forecast (adjusted for first lockdown). First years trading will identify overall financial impact of pandemic Governance review completed and accepted by Shareholder committee. Action plan developed to ensure all identified improvements are implemented appropriately.	Risk reviewed 11/08/2021 - Risk Manager updated

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L10-	Financial sustainability of third-party suppliers and contractors	<p>The financial failure of a third party supplier and contractors results in the inability or reduced ability to deliver a service to customers or provide goods needed. A reduced supply market could also result in increased costs due to the council's loss of competitive advantage.</p> <p>Reduced resilience and business continuity</p> <p>Increased complaints and/or customer dissatisfaction</p> <p>Increased costs and/or financial exposure to the Council due to having to cover costs or provide service due to failure of third party supplier of contractor</p>	3	4	12	<p>Ensure contract management in place review and anticipate problems within key service suppliers and partners</p> <p>Business continuity planning arrangements in place in regards to key suppliers</p> <p>Ensuring that proactive review and monitoring is in place for key suppliers to ensure we are able to anticipate any potential service failures</p> <p>Intelligence unit set up procurement Hub to monitor supplier and contractor market</p> <p>Analysis of third party spend undertaken to identify and risk assess key suppliers/contractors</p>	<p>Partially</p> <p>Partially</p> <p>Partially</p> <p>Fully</p> <p>Fully</p>	Councillor Tony Illot	Steve Jorden	Melissa Sage	3	4	12	↔	<p>Service areas to hold meetings as required with suppliers to review higher risk areas and ensure risks are being managed. Reminders to be sent to all who have Procurement/Contract Management responsibility to regularly meet with key suppliers and partners to gain early understanding of the effects of COVID-19 lockdown, have on supply.</p> <p>The Procurement Team is now providing ELT members and identified Contract Mangers a monthly update of all suppliers with spend above £25k c/w a credit risk rating score to enable contract managers to manage any identified risks, with support from the Procurement Team. Furthermore, as a result of Covid-19 the likelihood of this risk is deemed to have increased and thus the procurement and Business continuity plans in place</p>	<p>Through collaboration with Oxfordshire CC, a joint Provision Hub has been established, and went live 04.01.2021 and has put in place greater commercial skills and controls across the two authorities. Specifically, a Procurement and Contract Management Intelligence team has been established, and responsibility for financial checks and controls around the supply base sits within that team.</p> <p>This will result in improved monitoring and management of commercial contract risk across the council's supply chain.</p>	Risk reviewed 11/08/2021 - No changes

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L11-	Corporate Governance - Failure of corporate governance leads to negative impact on service delivery or the implementation of major projects providing value to customers.	<p>Threat to service delivery and performance if good management practices and controls are not adhered to.</p> <p>Risk of ultra vires activity or lack of legal compliance</p> <p>Risk of fraud or corruption</p> <p>Risk to financial sustainability if lack of governance results in poor investment decisions or budgetary control.</p> <p>Failure of corporate governance in terms of major projects, budgets or council owned companies impacts upon financial sustainability of the council.</p> <p>Inability to support Council's democratic functions / obligations (e.g. return to physical public meetings and public access to meetings).</p> <p>Elements of the COVID-19 response and recovery work may be compromised, delayed or not taken forwards.</p>	4	4	16	<p>Clear and robust control framework including: constitution, scheme of delegation, ethical walls policy etc.</p> <p>Clear accountability and resource for corporate governance (including the shareholder role).</p> <p>Integrated budget, performance and risk reporting framework.</p> <p>Corporate programme office and project management framework. Includes project and programme governance.</p> <p>Internal audit programme aligned to leadership risk register.</p> <p>Training and development resource targeted to address priority issues; examples include GDPR, safeguarding etc.</p> <p>HR policy framework.</p> <p>Annual governance statement process undertaken for 2020/21 under oversight of the Corporate Governance Assurance Group (CGAG) for Cherwell and Oxon. The Group has taken an aligned approach (with Oxon CC) to work up a revised and complementary Annual Governance Statement which also connects more fully and earlier with ELT and CEDR.</p> <p>CGAG also mapping respective (CDC/Oxon CC) governance processes to achieve alignment and efficiency where appropriate. Annual Review of the Constitution will take place each Autumn led by the Overview & Scrutiny Committee and approved by Full Council</p>	<p>Fully effective</p> <p>Partially effective</p> <p>Not effective</p> <p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Partially</p> <p>Fully</p> <p>Partially</p> <p>Partially</p> <p>Partially</p>	Councillor Barry Wood	Yvonne Rees	Anita Bradley	3	3	9	↔	<p>Standing item at senior officer meetings – regular review of risk and control measures.</p> <p>Post election member induction programme has been delivered, including governance sessions to councillors on the Constitution, data protection and FOI, finance, equalities and code of conduct.</p> <p>Monitoring Officer to attend management team meetings.</p> <p>Annual Governance Statement process was reviewed and strengthened and completed. Corporate Lead Statements which identify potential actions for 2021/22 have been produced and reviewed by the Corporate Governance Assurance Group. Signed off by Audit Accounts and Risk Committee. The Corporate Governance Assurance Group continues to map governance processes to ensure visibility and to refresh them.</p>	<p>In January 2019, Council agreed to enter into a Compromise Agreement with South Northants DC to ensure the continuation of key aspects of service delivery that required ongoing joint working (following the ending of the partnership S113 Agreement). The Council continues to exit in an orderly manner from its joint working arrangements in respect of the delivery of a Revenues and Benefits Service to the Council.</p> <p>Model Code of Conduct has been published by LGA and all Oxon Council Monitoring Officers have met to give initial consideration. Agreed that Oxon authorities ideally wish to adopt a consistent Code across the county, and across County, District, City, Town and Parish Councils. As such, working plan is for Monitoring Officers to achieve a draft to take through each Council post-election with a view to implementation by May 2022 this is dependent upon each Council being in agreement to the proposed approach.</p> <p>Meetings in physical form have been successfully and safely held since May 2021 and continue to do so, keeping track of public health advice and developments in guidance.</p> <p>Recruitment to commence shortly (July/August) for the appointment of Independent Persons to assist the Monitoring Officer on member code of conduct complaints.</p>	Risk reviewed 20/08/2021 - Mitigating actions and comments updated

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L12	Oxfordshire Growth Deal - (contract with HMG)	<p>Failure to meet its obligations as a partner within the Growth Deal could see Cherwell as a factor in Government holding back some or all of its funding and/or cease to extend the arrangement beyond 2023.</p> <p>Failure to replace Programme Management Officer could adversely affect delivery and stability of the overall Cherwell programme.</p> <p>Infrastructure milestone delivery late (for infrastructure linked to accelerated housing)</p> <p>Accelerated housing numbers delivered late, outside of the programme time scale</p> <p>Delivery of Infrastructure projects fail to accelerate housing delivery as commercial pressures impact house builders</p> <p>Delivery of affordable houses below programme targets as GD contributions insufficient to attract sufficient builders/ registered providers</p> <p>Oxfordshire Plan delivered late</p>	4	5	20	<p>Established programme structure and partnership ethos to support effective programme delivery.</p> <p>Put suitable arrangements in place to appoint replacement Project Management Officer - as a priority.</p> <p>Engagement with housing developers to understand their commercial constraints.</p> <p>Engage with developers to ascertain which sites would benefit most from infrastructure delivery.</p> <p>Identify potential "top up" schemes to supplement GD affordable housing scheme.</p> <p>Utilise effective Programme controls to facilitate prompt escalation of issues to enable appropriate decision making and delivery timescale review.</p> <p>Develop Year 4 Plans of Work to detail the expected delivery by CDC for Year 4 of the Growth Deal Programme; building on the experiences and knowledge gained during previous years.</p>	<p>Fully effective</p> <p>Partially effective</p> <p>Not effective</p> <p>Fully</p> <p>Fully, when implemented (not implemented yet).</p> <p>Partially</p> <p>Partially</p> <p>Fully</p> <p>Fully</p> <p>Partially</p>	Councillor Barry Wood	Robert Jolley	TBA	5	3	15	↔	<p>A CDC GD programme and programme board capability.</p> <p>Meetings to take place with key colleagues to implement suitable arrangements to appoint replacement Project Management Officer.</p> <p>Work stream plans of work (work stream brief, schedule, RAID log) .</p> <p>Structured engagement with developers to better understand their needs.</p> <p>Appropriate escalation of issues to agree programme flexibilities where required.</p> <p>Improved collaboration working with partners.</p> <p>Ongoing work with partners to realistically reflect deliverable schemes within programme time frame.</p>	With the departure of the former Programme Management Officer, there are gaps which need to be addressed and meetings need to take place to resolve the situation. Year Four Plans of Work continue to be delivered and the Cherwell Programme currently remains broadly speaking on track.	Risk reviewed 10/08/2021 - Risk Manager and Comments updated
L13	Joint Working That the challenges and risks associated with joint working between Cherwell and OCC, outweigh the benefits and impacts on the provision of services to residents and communities.	<p>Opportunities for joint working take longer to develop than planned delaying potential service improvements for residents and communities.</p> <p>Resources are allocated to the development of proposals, reducing the capacity of the Council to deliver on its priorities and plans, impacting on quality of services delivered to residents and communities.</p> <p>Uncertainty around joint working could lead to reduced staff morale and potentially increase staff turnover.</p> <p>Benefits to be realised from joint working business cases do not materialise or take longer to deliver than planned.</p>	3	3	9	<p>S113 agreement in place with Oxfordshire County Council Partnership working group meets quarterly programme management in place.</p> <p>Partnership Working Group established with OCC to oversee the development of joint working proposals.</p> <p>Robust programme and project management methodologies in place.</p> <p>Regular meetings of the OCC Cabinet and CDC Executive in place to oversee development of partnership.</p>	<p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Fully</p>	Councillor Ian Corkin	Yvonne Rees	Claire Taylor	3	3	9	↔	<p>Regular reporting on joint working proposals to the senior management team.</p> <p>HR policies in place to enable joint working proposals to be delivered</p>	The Audit plan for 2021 will ensure joint working arrangements are included. Plans are in place to consider further opportunities for joint working and these are reported to the Partnership Working Group. The change in political leadership at OCC (and the scale of new membership) may require additional briefings and member engagement to ensure the scope and scale of the partnership is understood and embedded. This approach has been agreed at the first meeting of the partnership working group in the new municipal year and a broader engagement plan for members will be developed.	Risk reviewed 11/08/2021 - No Update
L14	Legacy Shared Services Partnership – West Northamptonshire Council: Failure to effectively manage legacy partnership arrangements with WNC results in increased costs or service provision / operational risks.	Services impacted by the legacy partnership are HR (payroll), IT and revenues and benefits.	4	4	16	<ul style="list-style-type: none"> Plan in place to transition IT arrangements. Plan in place to transition revenues and benefits service, recruitment plans in place to plug any provision gaps. Project teams are in place to oversee both transitional projects. HR engaging with WNC regarding payroll provision. All affected services subject to internal audit and performance management regimes. Governance advice sought with regards to CSN (teckal co) 	<p>Partially effective.</p> <p>Full effectiveness requires ongoing engagement from WNC. It is anticipated that this risk will reduce during 2021/22</p>	Councillor Barry Wood	Yvonne Rees	Claire Taylor	4	3	12	↔	<p>Ongoing delivery of transition projects.</p> <p>Ongoing staff communications.</p> <p>Legal advice sought where appropriate. Plans are in place to transition all of the affected services. These are monitored through project governance and bi-lateral discussions between the s151 officers of the two councils.</p>	On-going service delivery arrangements to SNC set out clearly and underpinned by the Collaboration Agreement with protocols in place for dealing with any emerging issues. Currently SNC are not able to confirm end date or transitional arrangements for revenues and benefits services going into West Northamptonshire Unitary. This created a level of uncertainty for Cherwell, plans are being prepared for separation on the assumption that West Northants will seek to deliver their own services. Legal advice has been sought with regards to governance and technical advice has been sought regarding technology. CEDR level shareholder and governance roles clarified with regards to shared services delivery company CSN. The current position remains that WNC have not formally confirmed their long term intentions and have not yet engaged in conversations about company governance.	Risk reviewed 11/08/2021 - No Update

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2021/22																	
L15-	Workforce Strategy The lack of effective workforce strategies could impact on our ability to deliver Council priorities and services.	Limit our ability to recruit, retain and develop staff Impact on our ability to deliver high quality services Overreliance on temporary staff Additional training and development costs	3	4	12	Analysis of workforce data and on-going monitoring of issues. Key staff in post to address risks (e.g. strategic HR business partners) Weekly Vacancy Management process in place Ongoing service redesign will set out long term service requirements	Partially effective Fully Fully Partially	Councillor Ian Corkin	Claire Taylor	Karen Edwards	2	4	8	↔	Development of relevant workforce plans. IT has built a new reporting system with a RAG rating to update each area indicating and/or forecasting significant staff pressures when they happen due to COVID-19. This data is monitored weekly at Silver. HR monitors and report sickness absence data on a weekly basis. Development of new L&D strategy, including apprenticeships. Development of specific recruitment and retention strategies. New IT system is being implemented to improve our workforce data. The ability to interrogate and access key data (ongoing) in order to inform workforce strategies.	Rising Covid cases in Oxfordshire have started to see a slight increase in staff absences. To date these are manageable levels and short term. The change in isolation regulations for vaccinated staff from 16th August should ease departmental pressures arising from short term staff shortages. Staff absence and impact on services continues to be closely monitored	11/08/2021 Comments updated
L16-	Covid-19 Community and Customers Significant spread of the Covid-19 virus results in potential impacts in terms of customers and communities. Including community resilience, ability to access services, consequences of prolonged social distancing or isolation, economic impacts to business, including but not limited to the visitor economy.	Possible reductions in frontline service delivery, events, meetings and customer contact. Economic hardship impacting local business and potentially the local workforce. Impact on vulnerable residents who may find it harder to access services. Increased demand on both frontline and enabling services. Prolonged risk of social isolation and the mental and physical consequence thereof.	5	4	20	Business Continuity Plans have been reviewed and tested to ensure the ongoing delivery of priority services. Remote (home based) working in place, to facilitate self isolation and limit impact on service delivery. Communications stepped up, to support remote working, reinforce national guidelines and set out the current organisational response. Regular updates from Director of Public Health, shared internally and externally. Partnership communications. Partnership communications enhanced and regular conversations convened. Regular teleconference with local councils and emergency services discussing updates, concerns and best practice. (in-line with usual business continuity and emergency planning protocols). Mutual aid where appropriate with regional Thames Valley partners enable a tactical response to community resilience. Tactical response to community resilience. Creation of a dedicated telephony helpline to support the most clinically extremely vulnerable (shielded) residents in the county and operating extended hours each day. Provision of additional body storage as temporary place of rest to support the current mortuary provision. Face to face customer events e.g. wedding ceremony, library provision ceased in line with government guidance. Engagement with suppliers to manage impacts across the supply chain.	Fully Partially Fully Partially Fully Fully Fully Partially	Councillor Barry Wood	Yvonne Rees	Rob MacDougall	4	4	16	↔	Ongoing review and implementation of Council and partnership business continuity and emergency planning arrangements. COVID19 security on building in place to support the restart of services and this is being coordinated by the Organisational Recovery Steering Group and CEDR An urgent review of business continuity plans has taken place to adjust for COVID19 disruption and impacts of the 2nd wave of infection. Outbreak planning and Standard Operating Procedures completed and table top exercising has been completed and the learning has been incorporated into plans.	The nature of the risk is such that national public health guidelines will determine the councils' response. The councils will enact any support schemes as set out by national government as they emerge. Oxfordshire Health Protection Board. Community Testing is now available to all staff. Following confirmation that England the move to Step 4 on the 19th July the Chief Medical Officer talked of the Exit Wave which may impact staff absence through illness or isolation - planning for this will be coordinated through the cross councils silver group.	Risk reviewed 24/08/2021 - Comments updated

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls)			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2021/22																	
L17-	Covid-19 Business Continuity Significant staff absence due to the Covid-19 virus results in potential impacts on frontline service delivery and the ability to run the councils' business on a day to day basis.	Possible reductions in frontline service delivery, events, meetings and customer contact. Potential confusion amongst staff with regards to how to plan and respond to reduced service availability, professional support and maintain business as usual. Requirement to reprioritise service delivery. Requirement to offer mutual aid to partner organisations. Potential impact in the medium to long term resilience of staff may result in wider wellbeing issues.	5	4	20	Business Continuity Plans have been reviewed and tested. Guidance has been prepared for managers to support agile working. A survey is taking place to ensure we are meeting remote working needs, facilities management are working to create covid compliant work spaces. Remote working in place. Staff communications stepped up, to support remote working, reinforce national guidelines and set out the current organisational response. Regular updates from Director of Public Health, shared internally and externally. Regular teleconference with local councils and emergency services discussing updates, concerns and best practice. (in-line with usual business continuity and emergency planning protocols). Regular communication messages following Public Health advice. Sanitisers in washrooms. Agile working being tested further across services, ensuring equipment and access is in place. Posters around the offices encouraging regular hand washing. Hand sanitisers available in washrooms and shared spaces.	Fully Partially Fully Fully Fully Fully Partially Fully Fully	Councillor Barry Wood	Yvonne Rees	Claire Taylor	3	3	9	↔	Ongoing review and implementation of Council and partnership business continuity and emergency planning arrangements. Full health, safety and HR response in place. IT remote working arrangements are sustainable. Requirements of national lockdown arrangements are in place. Staffing absence is monitored weekly. Plans in place as part of the national government's pathway to open up. Monitoring of impacts is ongoing and there are arrangements in place to stand-up heightened Covid response as required. Agile working and flexibility to continue as the final stages of the covid roadmap are implemented. Hybrid meetings are tested and operational. Staffing absence remains low.	The nature of the risk is such that national public health guidelines will determine the councils' response. Progress establishing the local outbreak plans and the Health Protection Board support mitigation of risk.	Risk reviewed 11/08/2021 - No Update

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls)			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2021/22																	
L18-	Post Covid-19 Recovery challenges associated with adverse impact on customers, our workforce and the budget.	Long term response to the current covid-19 pandemic	4	4	16	Executive has agreed a recovery strategy working is underway to transition from an emergency planning environment to recovering environment.	Partially	Councillor Barry Wood	Yvonne Rees	Claire Taylor	4	3	12	↔	Governance programme reviewed, shared and implemented.	Work is ongoing to support recovery from Covid, necessarily focused on support for voluntary groups and implementing the various grants and support arrangements available.	Risk reviewed 11/08/2021 - No Update
Requirement to review service delivery	CDC fully participates in cross county partnerships to plan for the post-pandemic period.	Lessons learnt review underway and actions will inform next update of strategy in the autumn				New programme support arrangements in place and work underway to formally review lessons learnt and next steps. Executive received full update to offer assurance and begin lessons learnt review at committee 5 July 2021									Work is underway in partnership with Oxfordshire County Council to explore the role economic development will take in supporting the recovery and proposals are under development.		
Budget implications	Working through a new corporate programme underpinned by policy research and budget planning.					In year budget on track.									The COMF (contain outbreak management fund) allocation to Cherwell has confirmed and plans are under development to ensure effective allocation of this grant to reduce the incidence of COVID in Cherwell and support the community.		

L03 - Local Plan Risk

The latest Local Development Scheme is that approved by the Executive in March 2020. It includes the programmes for the Partial Review of the Local Plan, the Oxfordshire Plan 2050, a Local Plan Review, the Banbury Canalside Supplementary Planning Document and work on a Community Infrastructure Level (CIL). A review of the LDS is scheduled to be presented to the Council's Executive in September.

Partial Review

The Partial Review of the Cherwell Local Plan was adopted by Council on 7 September 2020. It is now part of the statutory development plan. A legal challenge to the Plan was heard by the courts on 23/24 June 2021 and successfully defended by the Council.

Oxfordshire Plan 2050

A Growth Deal commitment. The Plan is being prepared by a central Plan team appointed through the Oxfordshire Growth Board. The Council contributes to the plan-making process as a partner with a view to it being adopted as part of the Development Plan upon completion.

An options consultation commenced on 30 July 2021. The timetable for the Plan (agreed by the Oxfordshire Growth Board on 24 November 2020), provides for a proposed Plan to be consulted upon in Spring 2022, the submission of the Plan for Examination in September 2022 and its adoption in 2023. The Plan covers five Local Planning Authority areas, is not under the immediate control of Cherwell officers and can be affected by wider regional influences. There is therefore continuing risk of some delay.

Local Plan Review

The timetable for the district-wide Local Plan review in the new Local Development Scheme requires:

- commencement in April 2020
- Consultation on Issues: July-August 2020
- Consultation on Options: February-March 2021
- Consultation on a draft Plan: October-November 2021
- Consultation of a Proposed Submission Plan: July-August 2022
- Submission for Examination: November 2022

An issues consultation was prepared and completed in accordance with the LDS. In view of the delay to the Oxfordshire Plan process, and due to available resources, there has been some delay to the programme. An Options Paper is scheduled to be presented to the Council's Executive in September 2021.

Banbury Canalside Supplementary Planning Document

The timetable for the Banbury Canalside SPD as set out in the new Local Development Scheme requires:

- preparation: March-September 2020
- formal consultation: September-October 2020
- adoption: December 2020

Staff resources are presently focused on the Oxfordshire Plan and Local Plan Review. In that context, an SPD is not being prioritised at present.

Community Infrastructure Levy (CIL)

The timetable for CIL as set out in the new Local Development Scheme is aligned to Local Plan preparation. It requires:

- re-commencement: March 2021
- focused consultation on a draft charging schedule: October-November 2021
- formal consultation on a draft charging schedule: July-August 2022
- potential (if approved) submission of charging schedule: November 2022

Work on CIL has not yet recommenced due to other priorities. Expected changes to the planning system may affect the decision whether or not to proceed.

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Cherwell District Council

Accounts Audit and Risk Committee

22 September 2021

Review of Those Charged with Governance

Report of the Director of Finance

This report is public

Purpose of report

To set out the response to Ernst & Young (EY) regarding the review of management assurance.

1.0 Recommendations

The meeting is recommended to:

- 1.1 Note the draft response relating to management assurances from Those Charged with Governance at Appendix 1.
- 1.2 Agree that the Director of Finance, in conjunction with the Chairman of the Accounts, Audit and Risk Committee, make any further changes to the response relating to management assurances from Those Charged with Governance at Appendix 1 that may arise as a result of the audit.

2.0 Introduction

- 2.1 This report informs members of the committee of the management's assurances set out from Those Charged with Governance.

3.0 Report Details

- 3.1 Auditing standards require external audit to formally update their understanding of the Council's management processes and arrangements each year. They do this by asking the Committee (as Those Charged with Governance) about the Council's management arrangements.
- 3.2 The draft response is contained in Appendix 1.

4.0 Conclusion and Reasons for Recommendations

4.1 The Committee is recommended to note the draft response set out at Appendix 1.

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

6.1 None. The response is a requirement of the regulations.

7.0 Implications

Financial and Resource Implications

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

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845,
michael.furness@cherwell-dc.gov.uk

Legal Implications

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

Comments checked by:

Chris Mace, Solicitor, 01295 221808, chris.mace@cherwell-dc.gov.uk

Risk Implications

7.3 There are no risk management implications arising directly from this report.

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes, 01295 221786,
louise.tustian@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision N/A

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

All Corporate Plan themes

Lead Councillor

N/A

Document Information

Appendix number and title

- Appendix 1 – Draft Response from Those Charged with Governance

Background papers

None

Report Author and contact details

Joanne Kaye, Strategic Finance Business Partner, 01295 221545,
joanne.kaye@cherwell-dc.gov.uk

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Finance

Lorna Baxter, Director of Finance



DISTRICT COUNCIL
NORTH OXFORDSHIRE

Charmaine Cruz
Senior Associate
Ernst Young LLP

*Bodicote House
Bodicote
Banbury
Oxfordshire
OX15 4AA*

www.cherwell.gov.uk

23 April 2021

Please ask for: Michael Furness

Direct Dial: 01295 221845

Email: Michael.furness@cherwell-dc.gov.uk

Our Ref: MF/TCWG2021/1

Dear Charmaine

Understanding how the Accounts, Audit and Risk Committee gains assurance from management

I refer to the annual requirement for the Council to provide its external auditors details of the management assurance process that is in place. I have set down below the arrangements that those charged with governance (the Accounts, Audit & Risk Committee) have in place to gain the necessary assurance from management. Please find my response below, with your questions in bold.

1) How the Accounts Audit and Risk Committee, as 'those charged with governance' at the Council, exercise oversight of management's processes in relation to:

- **undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);**

The committee receives regular reports on fraud at their meetings but also relies on the S151 Officer, Internal Audit and, to a lesser extent External Audit, to report to them or to me as committee chairman if fraudulent activity has been uncovered. I am confident that all significant instances of fraud have been properly reported to me or the committee. I am also confident that if there was an awareness of a fraud, at senior management level, that would potentially materially misstate the accounts I would be informed immediately. No such incidents have taken place in 2020/21 and therefore based on the information I am aware of at the moment I am assured that the accounts are not materially misstated as a result of fraudulent activity.

- **identifying and responding to risks of fraud in the Council, including any specific risks of fraud which management have identified or that have been**

brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;

The committee receives regular reports and updates on risk management, anti-fraud, corruption and bribery and whistle blowing. All of these items are standard items on the agenda and are covered at each meeting by the S151 Officer and their team. I also outline the arrangements in place;

(a) Management Arrangements

- The financial statements are prepared in line with the Statement of Recommended Practice and are subject to internal quality assurance arrangements and an assurance framework of S151 assurances that review areas of highest risk. The accounts are subject to a series of analytical reviews that would identify major movements between years and seek explanations that would assess the likelihood for material misstatement.
- A risk assessment relating to the preparation of the accounts is undertaken each year by the S151 Officer and issues raised by Internal or External audit are given particular attention.
- The Council's finance function includes a service accountancy team who directly support and advise all the Council directorates. Through monthly support, challenge and review of the financial spend as part of budget monitoring, any material misstatement against budget or spend should be picked up.
- The officers who prepare the statements are experienced accountants who undertake CPD activities. Their work is segregated where feasible and they work to local and professional codes of conduct.
- Fundamental audits are conducted annually and reported to the Accounts, Audit & Risk Committee on the main accounting system by our Internal Auditors.

(b) Accounts, Audit & Risk Committee

- The Committee considers the internal control arrangements exercised by the Council as part of the Annual Governance Statement along with the S151 Officer's report on the accounts including the S151 Officer's arrangements for production of the accounts.
- In receiving the annual accounts from the S151 Officer, the Committee will enquire of them and the deputy S151 Officer whether any further action has been taken to minimise the risk of misstatement due to fraud.
- The Accounts, Audit & Risk Committee consider internal audit reports on an exceptional and risk based basis and the audits undertaken include those on fundamental systems and are able to take into account the likelihood of fraud being detected.

- The Annual Governance Statement, the reports from the Head of Internal Audit on internal control and S151 Officer on the adequacy and effectiveness of internal audit are further bases for coming to a judgement on the risk of misstatement. However, nothing has come to the attention of the Accounts, Audit & Risk Committee which would cause the Committee to consider there is a risk that the financial statements for 2020/21 could be misstated as a result of fraud.
- All members (including the Accounts, Audit & Risk Committee) are aware of the in year budget reporting and monitoring arrangements to Executive and Budget Planning Committee. All budgets are assigned to a named individual.
- The Accounts, Audit & Risk Committee note the inclusion within the constitution of contract and financial procedure rules and application of external codes such as CIPFA's Treasury Management Code of Practice.
- The Internal Audit Report of the Head of Internal Audit and the Annual Governance Statement reported to this committee highlight areas where the Council should seek improved control effectiveness.

On occasions when there is something to report outside of the normal committee framework the S151 Officer will contact me to brief me on the issue and discuss it. The Internal Audit manager and External Audit manager, as well as all officers have the right to raise, directly, any issues with me they feel I need to be aware of.

- **communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Council's code of conduct);**

The Monitoring Officer and the Standards Committee are responsible for the Council's ethical governance arrangements. The Monitoring Officer is proactive in raising awareness of the ethical agenda with employees and members. Compliance with ethical standards is monitored by the Monitoring Officer and, when required, the Standards Committee.

The employee code of conduct requires employees to notify all relevant personal interests to their Head of Service/Director. Completed declaration forms are accessible by the Chief Executive, the Section 151 officer and the Monitoring Officer.

Employees and Committee members are aware that identifying and responding to fraud should be done through the Director of Finance. This is reinforced by the regular update on anti-fraud and corruption issues, risk management and whistle blowing updates. The Anti-Fraud, Corruption and Bribery Policy, the Money Laundering Policy and the Whistle Blowing Policy take account of the joint working arrangements and these policies are available to view on the Councils intranet sites.

The Council are members of the National Anti-Fraud Network and the Investigations team receives National Fraud Alerts, which are cascaded to the Council and specific areas at risk of fraud. Finance is an area regularly monitored.

- **encouraging employees to report their concerns about fraud**

Employees are aware that identifying and responding to fraud should be done through the Director of Finance and the Counter Fraud Team. Briefing messages are sent to staff on issues when it is felt appropriate to do so.

- **communicating to you the processes for identifying and responding to fraud or error.**

The Accounts, Audit & Risk Committee receive written and verbal reports from the S151 Officer and Head of Internal Audit.

The Head of Internal Audit produces an annual report which includes their opinion on the adequacy and effectiveness of the Council's system of internal control. This report highlights anything that constitutes a significant control weakness during the year under review. The Annual Internal audit report for 2020/21 will be presented to the Accounts, Audit & Risk Committee.

All risks identified are being addressed by the Council. The Accounts, Audit and Risk Committee monitors the action plans associated with all risks identified.

Committee members are aware that identifying and responding to fraud should be done through the Director of Finance and the Counter Fraud Team. This is reinforced by the regular update on anti-fraud and corruption issues, risk management and whistle blowing updates.

2) How does the Accounts, Audit and Risk Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?

(a) Management Processes

- Submission to the Accounts, Audit & Risk Committee of regular updates on fraud activity and initiatives to deter and detect fraud such as the whistle blowing policy.
- The Head of Internal Audit undertakes an annual risk assessment exercise in formulating the Internal Audit Plan. This plan is then submitted to the Accounts, Audit and Risk Committee for approval. For 2020/21, the audit plan was approved by the Committee. The Committee is aware of the allocation of time in the annual audit plan for counter fraud activity.

(b) The Accounts, Audit & Risk Committee

- The Accounts, Audit & Risk Committee has access to internal audit reports and within these reports any possible fraudulent activity identified through the audit work would be recorded. In addition, the Head of Internal Audit would report any fraudulent, or potentially fraudulent, activity to the Committee in his regular progress reports.
- The Head of Internal Audit, and where appropriate the Monitoring Officer and S151 Officer, are required to advise about each case of alleged fraud. The committee receives regular update reports and communication regarding fraud and if required these would be detailed in the annual governance statement and the committee annual report.

3) Is the Committee aware of any:

- **breaches of, or deficiencies in, internal control;**

Breaches of internal control, including the segregation of duties are picked up through the internal audit work programme which are reported and acted upon by management, with progress reported through to the Accounts, Audit and Risk Committee at each of its meetings. Internal audit reports which find significant control breaches resulting in either a finding of limited assurance or containing high risk recommendations are automatically forwarded to the Committee for their consideration and management monitor and track progress with all outstanding audit recommendations at regular intervals.

- **and actual, suspected or alleged frauds during 2020/21?**

During 2020/21 there were 31 cases logged by the Counter Fraud Team (provided by Oxford City Investigation Service up until 31/3/21) of actual, suspected or alleged fraud – 26 of these cases have been resolved/closed down and the remaining 5 have been transferred over to the Oxfordshire County Council team, who are providing Counter Fraud services for CDC from 1 April 2021, and are currently open and under review/investigation.

4) Is the Committee aware any organisational or management pressure to meet financial or operating targets?

I am not aware of any organisational or management pressure placed on staff to meet financial or operating targets.

5) How does the Accounts, Audit & Risk Committee gain assurance that the Council has complied with all relevant laws and regulations? Are you aware of any instances of non-compliance during 2020/21?

The authority has a statutory S151 officer (Director of Finance) and monitoring officer (Assistant Director, Law and Governance) who are responsible for ensuring, as far as possible, that all relevant laws and regulations have been complied with.

The Monitoring Officer and S151 Officer, via membership of the Chief Executive Direct Reports (CEDR) and through the established process for reporting to members

under the executive arrangements, will advise on and identify areas of concern and risk of non-compliance. Arrangements are established under the Constitution (e.g. contract procedure rules) to ensure that appropriate consideration is given to (and advice taken on) the application of the legal and regulatory framework.

The constitution provides further safeguards as do the management assurance statements that are provided by all senior managers and the annual governance statement.

I am pleased to state that I am not aware of any instances of non-compliance to date. Should there be any I would expect they would be referred to my committee for consideration.

6) Is the Committee aware of any actual or potential litigation or claims that would affect the financial statements?

The committee is not aware of any potential claims as at the date of this letter but will continue to receive an update on any potential issues and consideration if we need to make formal representation in our financial statements. Officers will be in a position to provide you with any additional information you may need.

7) How does the Accounts, Audit and Risk Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

The Council has a robust approach to the setting of its budget and medium-term financial strategy and has in place processes to deliver acceptable balanced budgets over the medium term. The 2021/22 budget and Medium-Term Financial Strategy to 2025/26 were approved by Council in February 2021. Reports to the Budget Planning Committee continue to consider not only the short term but also medium-term financial impacts on the Council.

The Council has established and maintained a minimum level of reserves and completed a review of the wider reserves including the Earmarked Reserves and the Section 106 Reserves.

The financial impact of the Covid-19 pandemic has been significant on the Council. Regular reports to the Executive and to all members, via all Member Briefings have highlighted the impact and the action taken. The Council agreed a revised budget for 2020/21 in September 2020, to ensure it had in place actions to deliver a balanced budget by the end of the year after taking into account Government support.

The Council maintains a daily cashflow forecast to ensure that it will retain sufficient cash balances to make any necessary payments. This also monitors the levels of Council debt forecast based on these daily cashflows to ensure that it will not exceed the Operational Boundary for Total External Debt.

A scenario has also been considered to assess the impact of all potential guarantees and commitments issued by the Council being called on the same day that the Council needs to borrow the most for cash flow purposes. The Council would still be within its operational boundary despite this scenario being highly unlikely.

Through the management of the budget, Medium Term Financial Strategy and reserves the Council is confident of it being appropriate to adopt the going concern basis for its financial statements.

8) What does the Committee consider to be the related parties significant to the Council and what is its understanding of the relationships and transactions with those related parties?

The Council has included the nature and relationship with related parties within the Statement of Accounts. In particular the Council has continued to provide a small number of its activities through externally operated companies, where senior officers and members have operated as directors. The related party relationships between those officers and members have been declared by the respective officers and members and included within the Statement of Accounts.

The Council continued to develop its relationship with Oxfordshire County Council during 2020/21, with a joint leadership team in place from February 2020. There have been many positive benefits of joined up working across the County Council and District. This joined up approach has played an essential and valuable role during the response phase of the Covid-19 pandemic.

The Council has clear defined and separate governance structures, but is benefiting from being able to review those documents and processes alongside the County Council and vice versa the County Council has been able to utilise the experience and knowledge from the District Council to improve and innovate its processes.

9) Does the Accounts, Audit and Risk Committee have any concerns about relationships or transactions with related parties and, if so, why?

No.

As Chairman of the Accounts, Audit & Risk Committee, I have signed this letter on behalf of the committee. The content of this letter will also be discussed at the Accounts, Audit & Risk Committee.

Yours sincerely

Councillor Mike Kerford-Byrnes
Chairman of the Accounts, Audit & Risk Committee

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Cherwell District Council

Accounts Audit and Risk Committee

22 September 2021

External Audit – Annual Audit Opinion 2020/21

Report of the Director of Finance

This report is public

Purpose of report

To receive a report setting out the External Audit Opinion for 2020/21.

1.0 Recommendations

The meeting is recommended to:

- 1.1 Note the contents of the External Audit Opinion (ISA260) for 2020/21 from our External Auditors, Ernst & Young (EY).

2.0 Introduction

- 2.1 Attached at Appendix 1 is the External Audit Opinion 2020/21 which outlines the work undertaken to audit the Statement of Accounts and the overall opinion for 2020/21.

3.0 Report Details

- 3.1 External Audit undertakes its work in line with the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments Ltd and auditing standards.
- 3.2 The Audit Opinion (ISA260) sets out the methodology, approach and timescales that EY have taken in relation to undertaking the work required for the audit of the Statement of Accounts 2020/21.
- 3.3 The Audit Opinion sets out the overall assessment of the Statement of Accounts produced. The Statement of Accounts for 2020/21 has been prepared in line with the amended timescales required in response to the Covid-19 pandemic.

4.0 Conclusion and Reasons for Recommendations

4.1 The opinion sets out the assessment of External Audit for 2020/21.

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

6.1 None.

7.0 Implications

Financial and Resource Implications

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

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845,
michael.furness@cherwell-dc.gov.uk

Legal Implications

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

Comments checked by:

Chris Mace, Solicitor, 01295 221808, chris.mace@cherwell-dc.gov.uk

Risk Implications

7.3 There are no risk management implications arising directly from this report.

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes, 01295 221786,
louise.tustian@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision N/A

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

All Corporate Plan themes

Lead Councillor

N/A

Document Information**Appendix number and title**

- Appendix 1 – External Audit Opinion (ISA260) 2020/21Appendix 1
- Appendix 1b – Audit Planning Report

Background papers

None

Report Author and contact details

Joanne Kaye, Strategic Finance Business Partner, 01295 221545,
joanne.kaye@cherwell-dc.gov.uk

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Cherwell District
Council & Group
Draft Audit results
report

Year ended 31 March 2021

14 September 2021

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EY

Building a better
working world

14 September 2021



Cherwell District Council
Bodicote House
Bodicote
OX15 4AA

Dear Accounts, Audit and Risk Committee Members

2020-21 Draft Audit results report

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Accounts, Audit and Risk Committee. The audit is ongoing and we will update the Accounts, Audit and Risk Committee at its meeting scheduled for 22 September 2021 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2020-21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Cherwell District Council & Group's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

This report is intended solely for the information and use of the Accounts, Audit and Risk Committee, other members of the Council and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Accounts, Audit and Risk Committee meeting on 22 September 2021.

Yours faithfully

Maria Grindley

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Accounts, Audit and Risk Committee and management of Cherwell District Council & Group in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Accounts, Audit and Risk Committee, and management of Cherwell District Council & Group those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Accounts, Audit and Risk Committee and management of Cherwell District Council & Group for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Executive Summary

Overview of our 2020/21 audit strategy

Scope update on materiality. We calculated materiality at the planning stage using the 2019-20 financial statements (see figures in brackets) but as we will now be performing a single-visit audit, we have updated it using figures from the draft 2020-21 statements.

Planning
materiality

£2,429k

Materiality for the group has been set at £2,429K (£2,119K), which represents 2% (PY 2%) of the prior year gross revenue expenditure. This comprises of gross expenditure on the provision of services, other operating expenditure and financing and investment expenditure.

Performance
materiality

£1,822k

Performance materiality has been set at £1,822K (£1,589K), which represents 75% (PY 75%) of planning materiality.

Audit
differences

121.5k

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement and cash flow statement) greater than £121.5K (£106K). This represents 5% of Planning Materiality (PY 5%). Other misstatements identified will be communicated to the extent that they merit the attention of the Accounts, Audit and Risk Committee.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19.

The continued impact of the Covid-19 pandemic increases the risks to the material accuracy of financial statements and disclosures. To ensure we are providing the right assurances to the Authority and its stakeholders the firm has introduced a rigorous risk assessed consultation process for all auditor reports to ensure that they include the appropriate narrative.



Executive summary

Scope Update

Changes to reporting timescales

As a result of COVID-19 new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2021 No 263, have been published and came into force on 31 March 2021. This announced a change to publication date for final, audited accounts from 31 July to 30 September 2021 for all relevant authorities.

Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but have an impact on our audit strategy were as follows:

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:

- Page 68 We used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- We agreed IPE to scanned documents or other system screenshots.

Status of the audit

Our audit work on the Council and Group opinion is well progressed.

Details of each outstanding item, actions required to resolve, and responsibility are included in Appendix B.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion



Executive summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Council has 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

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Status of the audit – Value for Money

We have previously reported to the Committee the changes in the arrangements to the VFM for 2020/21. We are currently completing our risk assessment work and assessing the Council against the three sub-criteria. At the date of this report we are not reporting any significant weaknesses in arrangements. We will provide an update at the September Accounts, Audit and Risk Committee meeting on our final conclusions. This update will also include the timelines for receipt of the VFM Commentary and our conclusions against each of the three sub-criteria.



Executive summary

Audit differences

At the date of this report, Council staff had identified two audit misstatements greater than our reporting threshold of £1.8m. These are:

- £3.3m on the Expenditure and Funding Analysis for the impact of prior year amendments on PPE valuation to ensure consistency with disclosure in note 5
- £3.738m amendment between short-term and long-term NNDR Appeals provision

Also we found that short-term investments had been overstated by £4m, which should have been classified as cash and cash equivalents.

We will provide an update at the Accounts, Audit and Risk Committee meeting on 22 September and a final position at the conclusion of the audit.

There are currently no uncorrected misstatements greater than our reporting threshold for uncorrected mis-statements of £121.5K

There were several presentational and disclosure amendments which we have identified and have been corrected by management.

See Section 4 of this report for further details of the misstatements.

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Other reporting issues

We have not yet reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We will complete this review and report back any findings to the September Accounts, Audit and Risk Committee meeting.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission. Officers are still awaiting the final guidance supporting the WGA submission for 2020-21. This work will be completed at the end of the audit and we will provide an update on WGA at the September 2020-21 Accounts, Audit and Risk Committee meeting.

We have no other matters to report.



Executive summary

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Cherwell District Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

We request that you review these and other matters set out in this report to ensure that:

- there are no residual further considerations or matters that could impact these issues;
- you concur with the resolution of the issue; and
- there are no further significant issues you are aware of to be considered before the financial report is finalised.

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Accounts, Audit and Risk Committee or management.

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Control observations

We did not identify any significant deficiencies in internal control.

Independence

In our Audit Plan presented to this Committee we did not identify any independence issues.

Please refer to Section 9 for our update on Independence.

Executive summary

Significant Risks and Areas of audit focus

Our audit plan identified significant risks and areas of focus for our audit of the Authority's financial statements. We summarise below our latest findings.

Significant risk	Findings & conclusions
Misstatements due to fraud or error	Our work on this area is ongoing and at the date of this report we have found no indications of management override of controls.
Incorrect capitalisation of revenue expenditure	Our work on this area is ongoing and at the date of this report we have found no instances of incorrect capitalisation of revenue expenditure.
Valuation of land and buildings	Our work on valuations is ongoing and at the time of writing this report, we are working through information from the internal and external valuers. Our internal valuation specialists are reviewing a sample of 4 assets across various asset types. We have received their final report and can confirm that they identified no significant concerns or amendments in their findings. We will provide an update at the audit committee.
Other area of audit focus	Findings & conclusions
Accounting for Covid-19 related Grant Expenditure	Our work in this area is ongoing. We are highlighting the treatment of each grant as agent or principal, and comparing it with the wider benchmarking exercise across our clients, and consulting our technical team to conclude on any outliers. We have raised a few points of clarification with officers.
Pension liability	We have agreed the Authority's pension liability disclosures to the actuarial report and have completed our review of our pensions advisory team's review of work carried out by PwC (Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors). We are awaiting the IAS19 assurance letter from the auditor of Oxfordshire Pension Fund to enable us to conclude against this area of audit focus.
Going concern	The draft accounts included a detailed disclosure on going concern. We are currently awaiting management's assessment of going concern along with details of financial modelling and forecasts prepared by the Council. We will provide an update on our consideration and final conclusion of this matter at the Accounts, Audit and Risk Committee meeting.
Group Boundary Assessment and Consideration of Subsidiary Entities	Our work is ongoing in this area. We will review the work done by Critchleys on Crown House and the Graven Hill companies.



02 Areas of Audit Focus



Areas of audit focus

Significant risk

Incorrect capitalisation of revenue expenditure

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What is the risk?

Under ISA240 there is also a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

For Cherwell District Council, we consider this risk to be associated with the cost of sales charged to the profit and loss account by the Council's wholly owned subsidiary company, Graven Hill Village Development Company Limited

We have also considered the capitalisation of revenue expenditure on property, plant and equipment as a specific area of risk given the extent of the Authority's capital programme.

What judgements are we focused on?

How management decides on appropriate capitalisation of revenue expenditure, including consideration of REFCUS.

What did we do?

We sample tested additions to property, plant and equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised.

What are our conclusions?

To date we have not identified any issues with management's accounting policies or practices in relation to opting to finance expenditure from capital sources.

We are reviewing the detailed testing performed by Critchleys on sales at GHVDCL.

We focused our testing on property, plant and equipment capital additions and also Revenue Expenditure Financed from Capital Under Statute (REFCUS) capital additions.

Our testing of capital additions is substantially complete however our testing to date has not identified any instances where expenditure had been inappropriately capitalised.



Areas of audit focus

Significant risk

Risk of error in the valuation of land and buildings

What is the risk?

The fair value of Property, Plant and Equipment and Investment Properties represent significant balances in the Authority's accounts, totalling approximately £162.5 million and are subject to valuation changes, impairment reviews and depreciation charges. The Council also has material balances on Investment Property at £45.3 million which are also subject to annual valuations.

In calculating amounts recorded in the Authority's balance sheet, management are required to make material judgements and apply estimation techniques.

What judgements are we focused on?

We focused on aspects of the land and buildings valuation which could have a material impact on the financial statements, primarily:

- harder to value assets – such as assets which are valued on a depreciated replacement cost basis;
- the assumptions and estimates used to calculate the valuation; and
- changes to the basis for valuing the assets.

What did we do?

We confirmed that the Authority's valuers are members of RICS and registered valuers. We reviewed the instructions provided to the valuer against the requirements of the Code and IFRS and found no issues.

For a sample of assets we assessed whether the valuation basis was appropriate and whether the assumptions used were supportable and reperformed the valuers' calculations.

We challenged the information provided by the valuer as the management's expert.

We have considered the impact of assets not revalued in year, and whether this could lead to a material misstatement of the closing asset valuation.

What are our conclusions?

We:

- considered the competence, capability and objectivity of the Council's valuers;
- considered the scope of the valuers' work;
- ensured land & building assets have been revalued within a 5 year rolling programme as required by the Code;
- ensured Investment Property assets had been annually revalued as required by the Code;
- considered if there were any specific changes to assets that should have been communicated to the valuer(s);
- ensured that it was appropriate that no disclosure needed to be made in the accounts in relation to any valuation uncertainty;

We noted no issues from the above procedures.

Our work in respect of this significant risk is ongoing and on the following page we detail the procedures we are currently undertaking to address the Significant Risk.



Areas of audit focus

Significant risk (cont'd)

Risk of error in the valuation of land and buildings - continued

What are our conclusions?

At the date of this report our work is still in progress on the following:

- testing a sample of assets revalued in year to confirm that the valuation basis is appropriate and the accounting entries are correct;
- sample testing key inputs used by the valuer(s) when producing valuations;
- considering the results of the valuers' work;
- challenging the assumptions used by the Council's valuers by reference to external evidence and our EY valuation specialists (where necessary);
- testing journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements;
- reviewing assets not subject to valuation in 2020/21 to confirm the remaining asset base is not materially misstated;
- extending the sample of valuations considered by our EY valuation specialists concentrating on assets where we think valuations are more likely to be impacted by C-19 related market volatility;
- reviewing specifically any changes to approach to valuations as previously discussed and highlighted in 2019/20

We will report the findings from our work at the September Accounts, Audit and Risk Committee meeting.



Areas of audit focus

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be matters that we report on

What is the risk/area of focus?	What did we do?
<p><u>New central government grants and other Covid-19 funding streams.</u></p> <p>Central Government have provided a number of new and different Covid-19 related grants to local authorities during the year. There are also funds that have been provided for the Council to disseminate to other bodies.</p> <p>The Council needs to review each of these to establish how they need to be accounted for. It needs to assess whether it is acting as a principal or agent, with the accounting to follow that decision. For those where the decision is a principal, it also needs to assess whether there are any initial conditions that may also affect the recognition of the grants as revenue during 2020/21.</p>	<p>We considered the Council’s judgement on material grants received in relation to whether it is acting as:</p> <ul style="list-style-type: none"> • An Agent, where it has determined that it is acting as an intermediary; or • A Principal, where the Council has determined that it is acting on its own behalf. <p>Our work in this area is ongoing. We are highlighting the treatment of each grant as agent or principal, and comparing it with the wider benchmarking exercise across our clients, and consulting our technical team to conclude on any outliers. We have raised a few points of clarification with officers.</p>
<p><u>Valuation of defined benefit pension scheme</u></p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Oxfordshire County Council.</p> <p>The Council’s pension liability is a material estimated balance and is required to be disclosed on the Council’s balance sheet. At 31 March 2020 this totalled £144.4 million.</p> <p>The information disclosed is based on the IAS 19 report issued by the Pension Fund actuary to the Council. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on its behalf.</p> <p>We are required to undertake procedures on the use of the use of the actuary as management’s expert and the assumptions underlying fair value estimates.</p>	<p>We have agreed the Authority’s pension liability disclosures to the actuarial report and have completed our review of our pensions advisory team’s review of work carried out by PwC (Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors). We are awaiting the IAS19 assurance letter from the auditor of Oxfordshire Pension Fund to enable us to conclude against this area of audit focus.</p>

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Areas of audit focus

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be matters that we report on

What is the risk/area of focus?

Disclosures on Going Concern

Covid-19 has created a number of financial pressures throughout local government, creating financial stress in either, or a combination of, increasing service demand leading to increased expenditure in specific services, and reductions in income sources.

There remains a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the significant risks it faces. In light of the continued impact of Covid-19 on the Council's day to day finances, its annual budget, its cashflow and its medium term financial strategy, there is a need for the Council to ensure its going concern assessment is thorough and appropriately comprehensive.

The auditor's report in respect of going concern covers a 12-month period from the date of the audit report, therefore the Council's assessment will also need to cover this period. The Council is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.

What did we do?

We are required to meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Council's going concern assessment and its disclosure in the accounts by:

- Challenging management's identification of events or conditions impacting going concern.
- Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewing the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.
- Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.
- Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties.

We will discuss the detailed implications of the revised auditing standard with finance staff and consider the information provided in the committee papers, budget and the Medium Term Financial Strategy (MTFS) in support of the going concern disclosure.

At the time of writing this report, we have agreed with management to receive an assessment of the Council's going concern basis of preparation of accounts in order to conclude on this area following internal consultations.



Areas of audit focus

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be matters that we report on

What is the risk/area of focus?	What did we do?
<p><u>Group Structure</u> Group Boundary Assessment</p> <p>The Council now has three wholly owned subsidiary companies and also holds an interest in a joint company with South Northamptonshire Council to process housing benefit claims across both Councils from June 2018.</p> <p>As in previous years, our work in this area is not contained with the assumptions used by Public Sector Audit Appointments Limited (PSAA Ltd) in setting the Council's audit fee. We have included an estimate of the likely additional fee in relation to this matter; this is reflected in Appendix A of this report.</p> <p>The risk is considered inherent because these entities are significant component based on the size of the subsidiary. The accounts of the components will need to be consolidated into the Group accounts with appropriate consolidating adjustments. This gives scope for potential material error.</p>	<p>Our work is ongoing in this area. We will review the work done by Critchleys on Crown House and the Graven Hill companies</p> <p>We have:</p> <ul style="list-style-type: none"> • Examined the group structure and determined which elements are in scope; and • Monitored the position to identify any other components that might move into scope by the year end however we have no further changes to report. <p>We are in the process of completing the procedures below subject to timely completion of subsidiary audits.</p> <ul style="list-style-type: none"> • Review the Council's approach to consolidation and production of group accounts to ensure that this meets the requirements of the Code of Audit Practice; • Liaising with the external auditor of Crown House and the Graven Hill companies, Critchleys, asking them to undertake a programme of work in line with Group audits. Our review is scheduled for 17 September.



03 Audit Report



Audit Report

Draft audit report 20-21

TO BE INCLUDED AT THE END OF THE AUDIT

Our opinion on the financial statements

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04 Audit Differences





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

At the date of this report, Council staff had identified two audit misstatements greater than our reporting threshold of £1.8m. These are:

- £3.3m on the Expenditure and Funding Analysis for the impact of prior year amendments on PPE valuation to ensure consistency with disclosure in note 5
- £3.738m amendment between short-term and long-term NNDR Appeals provision

Also we found that short-term investments had been overstated by £4m, which should have been classified as cash and cash equivalents.

We will provide an update at the Accounts, Audit and Risk Committee meeting on 22 September and a final position at the conclusion of the audit.

There are currently no uncorrected misstatements greater than our reporting threshold for uncorrected mis-statements of £121.5K

There were several presentational and disclosure amendments which we have identified and have been corrected by management.



05

Value for Money



Value for money

The Council's responsibilities for value for money (VFM)

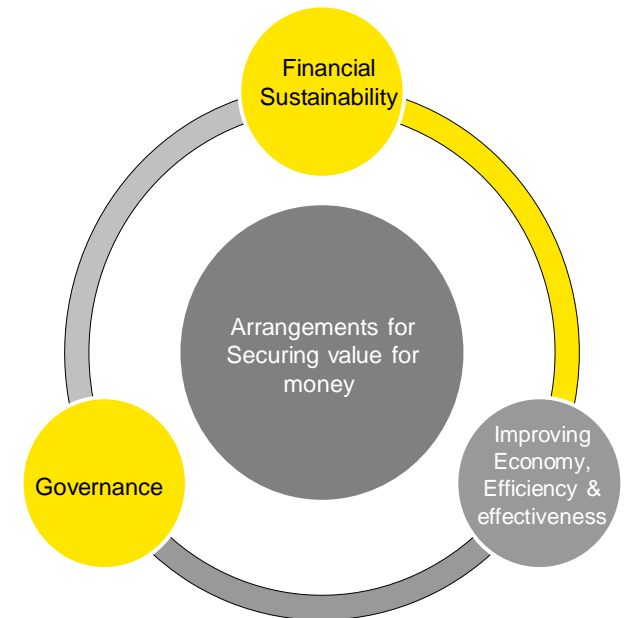
The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

We have previously reported to the Committee the changes in the arrangements to the VFM for 2020/21.

We are currently completing our risk assessment work and assessing the Council against the three sub-criteria. This includes arranging meetings with senior officers to understand in detail the arrangements in place. As at the date of this report we are not reporting any significant weakness in arrangements. We will provide an update at the September Accounts, Audit and Risk Committee meeting on our final conclusions. This update will also include the timelines for receipt of the VFM Commentary and our conclusions against each of the three sub-criteria.





06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited financial statements.

We have not yet reviewed the Annual Governance Statement. We will review the AGS and report to the Accounts, Audit and Risk Committee meeting in September.

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Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We are currently awaiting the guidance in relation to this work and will report on progress to the Accounts, Audit and Risk Committee at the September Accounts, Audit and Risk Committee meeting.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”).

We did not identify any issues which required us to issue a report in the public interest.

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Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the [Authority]’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

At the date of this report we have nothing that we need to bring to the attention of the Accounts, Audit and Risk Committee in respect of Other Matters.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you Significant deficiencies in internal control including group-wide or at components. As at the date of this report we have nothing that we need to bring to the attention of the Accounts, Audit and Risk Committee.



08 Data Analytics



Management Override of Controls

What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions. The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.

What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

At the data of writing this report our journal entry tested is not concluded; we will conclude on the testing and report to you in September.



Data Analytics

Journal Entry Data Insights

Cherwell District Council 31 March 2021

The graphic outlined below summarises the journal population for 2020/21. We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions included in our data subset.

EY Helix - GLASS: Journal Entry Data Insights - 21 Cherwell District Council - 31/03/2021

Facts and Figures

Number of Journals Posted:
11,501

Average Number of Journals Posted per Day:
33

Average Number of Lines per Journal:
0

Manual v System by Volume

Category	Percentage
Manual	70.8%
System	29.2%

Manual v System by Value

Category	Percentage
Manual	44.1%
System	55.9%

Top Five Preparers

Preparer	Count
Civica User	9,722
Wheeler, Kelly	343
Aman Mohammed	281
Linda Richards	184
Rebecca Shewry	178

Top Five Activity Accounts

Account	Value
E. Trade receivables_8_Short Term Debtors	8,792
N. Trade payables_11_Short Term Creditors Curr...	6,066
VG1. Operating Expenditure_2 Other expenditure	5,119
UA Revenue_11 Fees, charges and other service income	2,400
C. Cash and short_term deposits_9_Cash and Cash Eq...	1,314

Bottom Five Activity Accounts

Account	Value
L. Intangible assets, including goodwill_3_Int...	2
T. Equity_Accumulated Absence...	2
UA Revenue_33 Income from L...	2
Q. Non_current loans and borrowings, le...	1
T. Equity_Deferred Capital Receipts	1
VG1. Operating Expenditure_5 Depreciation,...	1

Days of the Week

Day	Volume
Mon	~2,100
Tue	~2,100
Wed	~2,100
Thu	~1,900
Fri	~1,900
Sat	~300
Sun	~100

Bottom Five Preparers

Preparer	Count
Iriana Annunziata	2
Jonathan Mayo	2
Leanne Lock	2
Karen Dickson	1
Nana Boadu	1
Paul Golsby	1
Sophie Hawes	1

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09 Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below. Further detail of all fees has been provided to the Accounts, Audit and Risk Committee.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 22 April 2021.

We have complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Accounts, Audit and Risk Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Accounts, Audit and Risk Committee on 22 September 2021.

We confirm we do not plan to undertake non-audit work outside of the Statement of responsibilities of auditors and audited bodies as issued by the Public Sector Audit Appointments Ltd . We will apply the necessary safeguards in our completion of this work should we be required to complete any.

Independence

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2020/21	Final Fee 2019/20
	£	£
Base Audit Fee – Code work (See Note 1)	40,138	40,138
Proposed increase to the scale fee due to changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1)	TBC	43,423
Scale fee variation – Covid-19 and Going Concern considerations, addressing significant risk on PPE valuation and VFM conclusion (Note 2)	TBC	31,054
Impact of audit slippage and rescheduling	N/A	14,911
Group considerations	12,000	12,022
Total audit fees	TBC	141,548
Grant review work – Housing Benefits	TBC	29,070
Total fees	TBC	170,618

Notes:

1. We remain in discussion with PSAA about increasing the scale fee to reflect the additional work auditors are required to do to meet regulatory requirements.
2. The 2019/20 additional fees have been discussed with management and referred to PSAA for consideration.

All fees exclude VAT

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

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

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

Other communications

EY Transparency Report 2020

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

[EY UK Transparency Report 2020 | EY UK](#)






10 Appendices



Appendix A

Required communications with the Accounts, Audit and Risk Committee

There are certain communications that we must provide to the Accounts, Audit and Risk Committees of UK entities. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Accounts, Audit and Risk Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit planning report

Appendix A

Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty related to going concern • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The appropriateness of related disclosures in the financial statements 	Draft Audit results report
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	Draft Audit results report
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the Accounts, Audit and Risk Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Draft Audit results report





Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Page 101	<p>Fraud</p> <ul style="list-style-type: none"> • Enquiries of the Accounts, Audit and Risk Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Accounts, Audit and Risk Committee responsibility. 	Draft Audit results report
	<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	Draft Audit results report
	<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	Draft Audit results report

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Page 102	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit • Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The Accounts, Audit and Risk Committee should also be provided an opportunity to discuss matters affecting auditor independence 	Draft Audit results report
	<p>External confirmations</p> <ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	Draft Audit results report
	<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the Accounts, Audit and Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Accounts, Audit and Risk Committee may be aware of 	Draft Audit results report




Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	Draft Audit results report
Group Audits	<ul style="list-style-type: none"> An overview of the type of work to be performed on the financial information of the components An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	Draft Audit results report
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Draft Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Draft Audit results report
Auditors report	<ul style="list-style-type: none"> Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	Draft Audit results report

Appendix B

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
All Accounts	EY to complete review of all accounts subject to testing including internal review	EY and management
Annual Governance Statement (AGS) 20-21	EY to review the AGS to ensure that it is consistent with the Council and the Group	EY and management
Statement of Accounts 20-21	Review of the Annual Report and associated support for disclosures E.g. Incorporation of EY review comments on disclosure notes	EY and management
Going concern review and disclosures	Management to provide an updated Going Concern assessment and supporting documentation EY central review process and finalisation of disclosures and opinion wording	EY and management
Group Reporting from component auditors	As outlined in the body of this report we are required to consider the findings of the component auditors	EY and component auditors
Journals Testing	EY to complete journals testing	
Management representation letter	Receipt of signed management representation letter	Management and Accounts, Audit and Risk Committee
Significant Risks and Other Areas of Focus	Completion of the work detailed in the Significant Risks and Other Areas of Focus included within this report	EY, management, internal and external specialists
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on going concern remain to be finalised and audited.

Draft Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]
[Date]

Ernst & Young
FAO: Maria Grindley
EY
Apex Plaza
Forbury Rd
Reading
RG1 1YE

Page 105

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Cherwell District Council and Group ("the Council and Group") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the council and group financial statements give a true and fair view of the Council and Group financial position of Cherwell District Council as of 31 March 2021 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Council.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Council.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the council and group financial statements. We believe the Council and Group financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. We have approved the council financial statements.
3. The significant accounting policies adopted in the preparation of the Council and Group financial statements are appropriately described in the Council and Group financial statements.
4. As members of management of the Council and Group, we believe that the Council and Group have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. There are no uncorrected misstatements pertaining to the current period.

Management representation letter

Management Rep Letter (cont.)

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Council's and Group's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the Council and Group financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Council and Group (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's and Group's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's and Group's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the council and consolidated financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the 22 September 2021.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's and Group's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the council and the consolidated financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Management representation letter

Management Rep Letter (cont.)

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. No guarantees have been given to third parties.

E. Subsequent Events

1. Other than those described in Note X to the council and the consolidated financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Going Concern

1. Accounting policy a) General Principles to the council financial statements discloses all of the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council and Group has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's or Group's assets, nor has any asset been pledged as collateral. All assets to which the Council and Group has satisfactory title appear in the balance sheet(s).
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the council and consolidated financial statements.

J. Reserves

1. We have properly recorded or disclosed in the council and consolidated financial statements the useable and unusable reserves.

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the asset valuations and net pension liability valuation and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Asset Valuation Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Council and the Group.
2. We confirm that the significant assumptions used in making the asset valuation estimates appropriately reflect our intent and ability to carry out planned uses of assets valued.

Management representation letter

Management Rep Letter (cont.)

3. We confirm that the disclosures made in the council and consolidated financial statements with respect to the accounting estimate(s) are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Council and Group.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the council financial statements due to subsequent events, including due to the COVID-19 pandemic.

M. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,



Head of Finance

Chair of the Accounts, Audit and Risk Committee

Progress report on implementation of IFRS 16 Leases

In previous reports to the Accounts, Audit and Risk Committee, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for the Council until 1 April 2022. However, officers should be acting now to assess the Council's leasing positions and secure the required information to ensure the Council will be fully compliance with the 2022/23 Code. The following table summarises the actions necessary to implement the adoption of IFRS 16 from 1 April 2022:

IFRS 16 theme	Summary of key measures  
Data collection	Management should have: <ul style="list-style-type: none"> • Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors. • Classified all such leases into low value; short-term; peppercorn; portfolio and individual leases • Identified, collected, logged and checked all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
Policy Choices	The council need to agree on certain policy choices. In particular: <ul style="list-style-type: none"> • Will [the council adopt a portfolio approach? • Has the low value threshold been set and agreed with auditors? • Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components? • What is managements policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where the Council is lessee; and potentially for sub-leases, where the Council is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

Cherwell District Council Audit Planning Report

Year ended 31 March 2021
14 September 2021



Cherwell District Council
Bodicote House
Bodicote
OXON OX15 4AA

14 September 2021

Dear Committee Members

Audit Planning Report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Accounts, Audit and Risk Committee with a basis to review our proposed audit approach and scope for the 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and it outlines our planned audit strategy in response to those risks.

Due to the late completion of the 2019/20 audit, this year's 2020/21 audit is being completed in a condensed timeframe, and therefore the Committee meeting on the 22 September will receive this Audit Planning Report alongside the Audit Results Report. This is to get the Council's audit timelines back on track.

This report is intended solely for the information and use of the Accounts, Audit and Risk Committee and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 22 September 2021 as well as to understand whether there are any other matters which you consider may influence our audit.

Yours faithfully

Maria Grindley

For and on behalf of Ernst & Young LLP

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01	Overview of our 2020/21 audit strategy	02	Audit risks	03	Value for Money risks	04	Audit materiality	05	Scope of our audit
									
	06	Audit team	07	Audit timeline	08	Independence	09	Appendices	

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Accounts, Audit and Risk Committee and management of Cherwell District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Accounts, Audit and Risk Committee and management of Cherwell District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Accounts, Audit and Risk Committee and management of Cherwell District Council for this report or for the opinions we have formed. It should not be provided to any third party without our prior written consent.



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01

Overview of our 2020/21 audit strategy



Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Accounts, Audit and Risk Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Significant risk	No change in risk or focus	<p>Linking to our fraud risk below we have considered the capitalisation of revenue expenditure on property, plant and equipment as a separate risk, given the extent of the Council's capital programme.</p> <p>It is likely that this risk is limited to the cost of sales charged to the profit and loss account by the Council's wholly owned subsidiary company, Graven Hill Village Development Company Limited.</p>
Page 15 Inappropriate capitalisation of revenue expenditure due to fraud or error	Fraud risk	No change in risk or focus	<p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>Our judgement is the significant risk at the Council may manifest itself in the improper capitalisation of revenue expenditure.</p>
Valuation of Land and Buildings and Investment Property	Significant risk	Change in risk or focus	<p>The fair values of Property, Plant and Equipment (PPE) and Investment Property (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and for PPE, depreciation charges. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. Covid-19 brought additional uncertainties around valuations in 2021 and we will continue to assess the impact of Covid-19 on the valuation of PPE and IP as at 31 March 2021.</p>
Accounting for Covid-19 grants	Inherent risk	New area of focus	<p>The Authority received a series of grants from UK central government during 2020/21 in support for the pandemic crisis management. We identified the accounting treatment of those grants as an area of focus since this is a new and significant development for the Council.</p>

Overview of our 2020/21 audit strategy

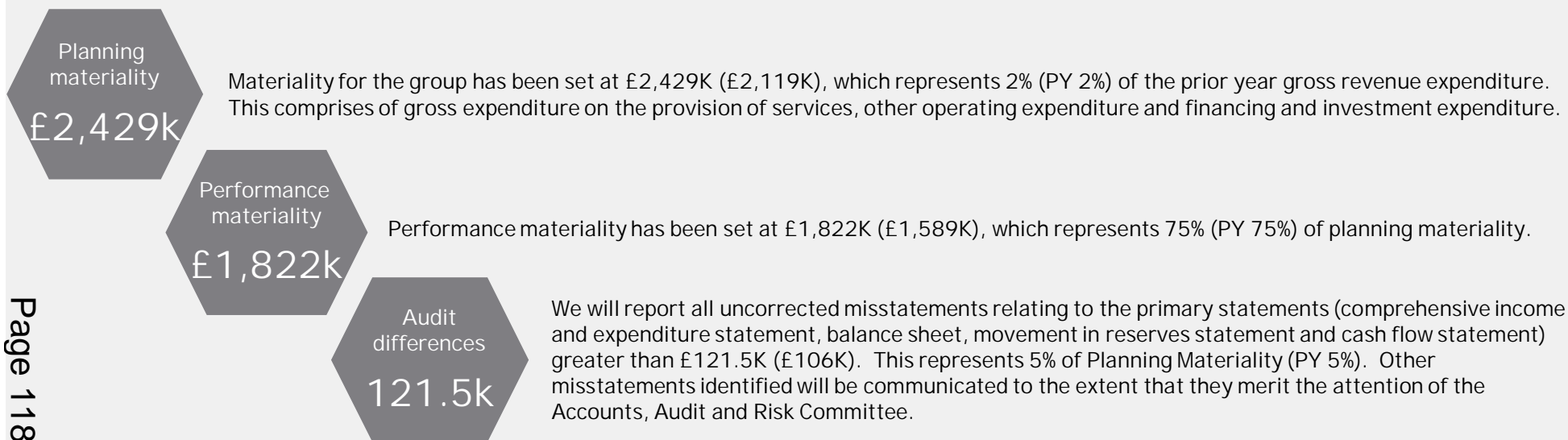
Risk / area of focus	Risk identified	Change from PY	Details
<p>Pension Liability Valuation</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 116</p>	<p>Inherent risk</p>	<p>No change in risk or focus</p>	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Northamptonshire Pension Fund.</p> <p>The Council's pension fund asset is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Northamptonshire Pension Fund</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>For 2020/21 the Council will need to consider the potential for the ongoing impact of the national issues arising from the Goodwin and McCloud cases.</p>
<p>Group Boundary Assessment and Consideration of Subsidiary Entities</p>	<p>Inherent risk</p>	<p>No change in risk or focus</p>	<p>The Council has 3 wholly owned subsidiary companies and also holds an interest in a joint company with South Northamptonshire Council to process housing benefit claims across both Councils from June 2018. Critchleys provided accounting and external auditing services to both the Graven Hill companies and to Crown House.</p> <p>In 2019/20 our work in this area was additional scope from the scale fee set, and necessitated extra audit work. This necessitated more work for the external audit team as we must review the work of component auditors in appropriate detail to gain assurance for our purposes. It was also necessary for us to postpone giving our opinion on the Council's statements until this further work had been carried out. The 2020/21 audit scale fee also excludes group considerations but we will need to carry out extra work in the same way.</p>

Overview of our 2020/21 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Going concern disclosure	Inherent risk	No change in risk or focus	<p>There is a presumption that the Authority will prepare its accounts on a going concern basis as there is ongoing service provision from the successor body. However, the current and future uncertainty as a result of Covid-19 increases the need for the Authority to undertake a detailed going concern assessment to support its assertion. In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we request that management provide a documented consideration to support their assertion regarding the going concern basis.</p>

Overview of our 2020/21 audit strategy

Materiality. We calculated materiality at the planning stage using the 2019-20 financial statements (see figures in brackets) but as we will now be performing a single-visit audit, we have updated it using figures from the draft 2020-21 statements.



Overview of our 2020/21 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Cherwell District Council give a true and fair view of the financial position as at 31 March 2021 and of the income and expenditure for the year then ended; and
- Our commentary against specified reporting criteria (see Section 03) on the Council's arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

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

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

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

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

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council. The extent of our procedures will depend on the materiality of the Council's balances for the Whole of Government Accounts.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to assess independently the risks of providing an audit opinion, and to undertake appropriate procedures in response. Our Terms of Appointment with Public Sector Audit Appointments (PSAA) allow them to vary the fee dependent on 'the auditors assessment of risk and the work needed to meet their professional responsibilities'. PSAA are aware that the setting of scale fees has not kept up to date with the changing requirements of external audit with increased focus on, for example, valuations of PPE and investment property, pension obligations, the auditing of groups and the introduction of new accounting standards such as IFRS 15 and 9 in recent years as well as the expansion of factors affecting the value for money conclusion. In Section 09 we have highlighted where additional work will be required for 2020/21 at this stage. We will discuss with management the associated fees as the audit progresses.



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02 Audit risks



Our response to significant risks (continued)

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

<p>Misstatements due to fraud or error*</p>	<p>What is the risk?</p> <p>As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.</p> <p>We identify and respond to this risk on every audit engagement.</p>	<p>What will we do?</p> <ul style="list-style-type: none"> • Inquire of management about risks of fraud and the controls put in place to address those risks. • Understand the oversight given by those charged with governance of management's processes over fraud. • Consider of the effectiveness of management's controls designed to address the risk of fraud. • Perform detailed review of work done by Critchleys on the sales during the year at the Council's wholly owned subsidiary company, Graven Hill Village Development Company Limited
<p>Page 121</p>		
<p>Financial statement impact</p>		
<p>Misstatements that occur in relation to the risk of fraud due to management override could affect a number of areas of the financial statements.</p>		<p>Perform mandatory procedures regardless of specifically identified fraud risks, including:</p> <ul style="list-style-type: none"> • Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements • Assessing accounting estimates for evidence of management bias, and • Evaluating the business rationale for significant unusual transactions. <p>We will utilise our data analytics capabilities to assist with our work.</p>

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
<p>Valuation of Land and Buildings – Property, Plant and Equipment (PPE) and Investment Property (IP)</p> <p>Page 122</p> <p>Financial statement impact</p> <p>Misstatements that occur in relation to valuation could affect the year end carrying value of PPE and IP (31 March 2020: £133.6 m and £61.1m, respectively).</p> <p>The equivalent figures in the draft 20/21 financial statements are £162.5m and £45.3m.</p>	<p>The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council’s accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>Covid-19 brought additional uncertainties with regards to valuations in 2020 and we will continue to assess the impact of Covid-19 on the valuation of PPE and IP as of 31 March 2021. The significant risk is therefore specific to the valuation assertion.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Consider the work performed by the Council’s valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▶ Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre). Our sample will include the Castle Quay shopping centre and we will liaise with our specialists in EY Real Estates as appropriate in the work done. ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP and any significant changes notified to the valuer; ▶ Review assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated; ▶ Consider changes to useful economic lives as a result of the most recent valuation; ▶ Consider the potential impact of Covid-19 on valuation uncertainties; and ▶ Test accounting entries have been correctly processed in the financial statements.

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

<p>Inappropriate capitalisation of revenue expenditure due to fraud or error*</p>	<p>What is the risk?</p>	<p>What will we do?</p>
<p>Financial statement impact Inappropriate capitalisation of revenue expenditure would decrease the net expenditure from the general fund, and increase the value of non-current assets.</p>	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>From our risk assessment, we have assessed that the risk manifests itself solely through the inappropriate capitalisation of revenue expenditure to improve the financial position of the general fund.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ For significant additions we will examine invoices, capital expenditure authorisations, leases and other data that support these additions. We review the sample selected against the definition of capital expenditure in IAS 16. ▶ Journal testing – we will use our testing of Journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>New central government grants and other Covid-19 funding streams.</p> <p>Central Government has provided a number of new and different Covid-19 related grants to local authorities during the year. There are also funds that have been provided for the Council to distribute to other bodies.</p> <p>The Council needs to review each of these grants to establish how they should be accounted for. It needs to assess whether it is acting as a principal or agent, with the accounting to follow that decision. Where the decision is that the Council is a principal, it must also assess whether there are any initial conditions that may also affect the recognition of the grants as revenue during 2020/21.</p>	<p>On a sample of the grant and funding population we will:</p> <ul style="list-style-type: none"> • Review the Council's decision for new grant or funding arrangements whether it is acting as principal or agent; • Review whether any initial conditions are attached to grants impacting their recognition; • Assess whether the accounting appropriately follows those judgements; and • Check the Council has adequately disclosed grant income received in the year, under both principal and agent arrangements.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Pension Liability Valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Northamptonshire Pension Fund</p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2020 this totalled £72.8 million. The draft 20/21 financial statements show a figure of £95.7 million.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary of the Pension Fund.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<ul style="list-style-type: none"> • Liaise with the auditors of Oxfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Cherwell District Council; • Assess the work of the Pension Fund actuary, Hymans Robertson, including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; • Consider any updated information in respect of the impact of national issues including Goodwin and McCloud; and • Review and test the accounting entries and disclosures made within the Council's financial statements for IAS19.

Other areas of audit focus (cont.)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the area of focus?

Group Boundary Assessment

The Council now has three wholly owned subsidiary companies and also holds an interest in a joint company with South Northamptonshire Council to process housing benefit claims across both Councils from June 2018.

As in previous years, our work in this area is not contained with the assumptions used by Public Sector Audit Appointments Limited (PSAA Ltd) in setting the Council's audit fee. We have included an estimate of the likely additional fee in relation to this matter; this is reflected in Appendix A of this report.

What will we do?

We will:

- Review the Council's assessment of its group boundary
- Test the consolidation of entries relating to these subsidiary entities into the Council's Group Statement of Accounts
- Issue instructions to the auditors of the three component entities as appropriate.



Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?

What will we do?

Disclosures on Going Concern

There is a presumption that the Authority will continue as a going concern for the foreseeable future. However, the Authority is required to carry out a going concern assessment proportionate to the risks it faces. In light of the continued impact of Covid-19 on its income sources, the Authority needs to ensure that its going concern assessment, including its cashflow forecast, is thorough and appropriately comprehensive.

The Authority is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment, and in particular highlights any uncertainties it has identified. We consider the unpredictability of the current environment to give rise to a risk that the Authority will not appropriately disclose the key factors relating to going concern, underpinned by management's assessment with particular reference to Covid-19.

- Continue to assess the adequacy of disclosures required in 2020/21, and the impact on our opinion, should these be inadequate;
- Obtain management's going concern assessment and review for any evidence of bias and consistency with the accounts;
- Review the financial modelling and forecasts prepared by the Authority. This will consider key assumptions, stress testing applied to those assumptions and consider the risk to cashflow up to at least 12 months after the signing date of the accounts and opinion;
- Ensure that an appropriate going concern disclosure has been made within the financial statements; and
- Considered the impact on our audit report and comply with EY consultation requirements, if this is determined to be appropriate.

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03

Value for Money risks





The Authority's responsibilities for value for money (VFM)

The Authority must maintain an effective system of internal controls that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Authority is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing this statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and taking into account any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor's responsibilities under the new Code

Under the 2020 Code of Audit Practice we must still consider whether the Authority has 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer an overall evaluation criterion on which we need to conclude. Instead the 2020 Code requires auditors to design their work so as to get enough assurance to report to the Authority a commentary against specified reporting criteria (see below) on its arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;

Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and

Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence for us to document our evaluation of the Authority's Arrangements. This is so that we can draft a commentary under the three reporting criteria. It includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes where the NAO required auditors (as part of planning) to consider the risk of reaching an incorrect conclusion for the overall criterion.

In considering the Authority's arrangements, we must consider:

- The Authority's governance statement
- Evidence that the Authority's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies; and
- Any other evidence source necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that assessing what constitutes a significant weakness, and how much extra audit work is needed to respond to the risk of a significant weakness, is a matter of professional judgement.



Planning and identifying VFM risks (continued)

However, the NAO states that a weakness may be said to be significant if it:

- Exposes – or could reasonably be expected to expose – the Authority to significant financial loss or risk;
- Leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on the Authority’s reputation;
- Leads to – or could reasonably be expected to lead to – unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also consider:

- The scale of the issue in relation to the size of the Authority;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Authority’s reported performance;

Whether the issue has been identified by the Authority’s own internal arrangements and what corrective action has been taken or planned;

Whether any legal judgements have been made, including judicial review;

Whether there has been any intervention by a regulator or Secretary of State;

Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;

The impact on delivery of services to local taxpayers; and

The length of time the Authority has had to respond to the issue.

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO’s guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and to undertake additional procedures as necessary. This includes challenge of management’s assumptions where necessary. We are required to report our planned procedures to the Accounts, Audit and Risk Committee.

Reporting on VFM

As well as the commentary on arrangements, where we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness, the 2020 Code has the same requirement as the 2015 Code, that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor’s Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the attention of the Authority or the wider public. This should include details of any audit recommendations and follow-up of previous recommendations, along with our view as to whether they have been implemented satisfactorily.

Status of our 2020/21 VFM planning

We have yet to finalise our detailed VFM planning. However, one area of focus will be on the arrangements that the Authority has for financial sustainability in the light of the impact of Covid-19. At this stage we have not identified any risks of significant weaknesses in arrangements. We will continue to update the Accounts, Audit and Risk Committee on the outcome of our VFM planning, any changes to our risk assessment, and our planned response to any identified risks of significant weaknesses in arrangements.



04

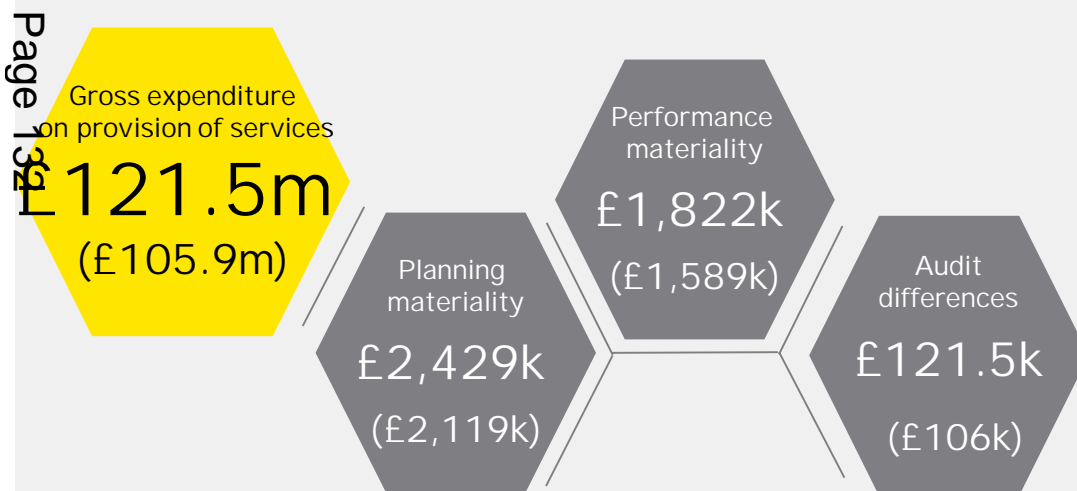
Audit materiality



Materiality

Materiality –Cherwell District Council Group

For 2020/21 audit purposes, we are using materiality derived from the draft financial statement, which was set at £2,429K. This represents 2% of the prior year gross revenue expenditure on provision of services. It will be reassessed during the audit process (at the planning stage we used materiality derived from the audited 2019/20 statements, see figures in brackets). We have provided supplemental information about audit materiality in Appendix C.



We request that the Accounts, Audit and Risk Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality for the Group at £1,822k, which represents 75% of planning materiality.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund that have an effect on income or that relate to other comprehensive income. The threshold has been set at 5% of planning materiality.

Other uncorrected misstatements, such as reclassifications and misstatements in the cash flow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the audit and accounts committee, or are important from a qualitative perspective.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and its arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period, to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

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

Procedures required by standards

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

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements to secure value for money through economic, efficient and effective use of resources

We are required to consider whether the Council has put in place arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2020/21 we plan to follow a substantive approach to the audit as we have concluded that this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

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

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

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

Internal audit:

As in prior years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where issues are raised that could have an impact on the year-end financial statements.

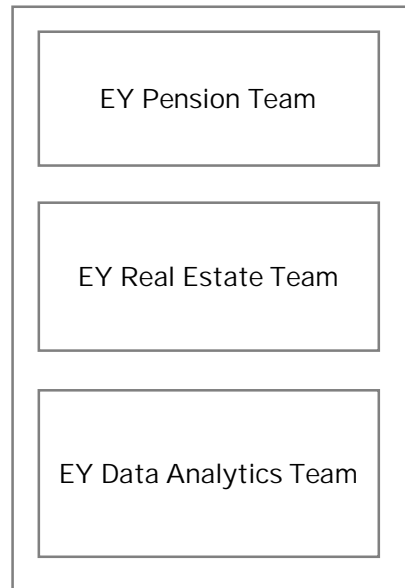


06 Audit team



Audit team

Audit team structure:



Working together with the Authority

We are working together with officers to identify continuing improvements in communication and processes for the 2020/21 audit.

We will continue to keep our audit approach under review to streamline it where possible.

* Key Audit Partner

Use of specialists

Our approach to the involvement of specialists, and the use of their work.

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EYRE Real Estate Team
Pensions disclosure	EY Pension Team

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07 Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2020/21.

From time to time matters may arise that require immediate communication with the Accounts, Audit and Risk Committee and we will discuss them with the Audit and Accounts Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit & Governance Committee timetable	Deliverables
Planning: Risk assessment and setting of scopes. Walkthrough of key systems and processes	May-August 2021	Accounts, Audit and Risk Committee	Audit Update to Committee in July, Draft Audit Planning Report to following Committee in September
Year end audit	July-September 2021	Accounts, Audit and Risk Committee	Draft Audit Results Report
Audit Completion procedures	September 2021	Accounts, Audit and Risk Committee	Audit Results Report Audit opinions and completion certificates Annual Audit Letter to follow soon after the sign off



08

Independence





Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<p>▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;</p> <p>The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</p> <p>The overall assessment of threats and safeguards;</p> <p>Information about the general policies and process within EY to maintain objectivity and independence.</p>	<p>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</p> <p>▶ Details of non-audit/additional services provided and the fees charged in relation thereto;</p> <p>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</p> <p>▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner</p> <p>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</p> <p>▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and</p> <p>▶ An opportunity to discuss auditor independence issues.</p>

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

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

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

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

Self-interest threats

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

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

When the ratio of non-audit fees to audit fees exceeds 1:1, we must discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

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

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

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

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

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

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

Other communications

EY Transparency Report 2020

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

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm must publish by law. The most recent version of this Report is for the year ended 1 July 2020 and can be found here:

<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2020>



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2020/21	Final Fee 2019/20
	£	£
Base Audit Fee – Code work (See Note 1)	40,138	40,138
Proposed increase to the scale fee due to changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1)	TBC	43,423
Scale fee variation – Covid-19 and Going Concern considerations, addressing significant risk on PPE valuation and VFM conclusion (Note 2)	TBC	31,054
Impact of audit slippage and rescheduling	N/A	14,911
Group considerations	12,000	12,022
Total audit fees	TBC	141,548
Review of Grants – Housing Benefit	TBC	29,070
Total fees	TBC	170,618

Notes:

1. We remain in discussion with PSAA about increasing the scale fee to reflect the additional work auditors are required to do to meet regulatory requirements.
2. The 2019/20 additional fees have been discussed with management and referred to PSAA for consideration.

All fees exclude VAT

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

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




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

Appendix B

Required communications with those charged with governance



We have detailed the communications that we must provide to the Accounts, Audit and Risk Committee.

Our Reporting to you

Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Accounts, Audit and Risk Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report

Required communications (continued)





Required communications	 What is reported?	 When and where
Going concern Page 148	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Audit results report
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management 	Audit results report
Fraud	<ul style="list-style-type: none"> • Asking the Accounts, Audit and Risk Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud 	Audit results report
Related parties	<ul style="list-style-type: none"> • Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	Audit results report

Required communications (continued)





Our Reporting to you

Required communications	 What is reported?	 When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Planning Report and Audit Results Report
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report
Consideration of laws and regulations	<ul style="list-style-type: none"> • Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Asking the Accounts, Audit and Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of 	Audit results report
Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	Audit results report

Appendix B

Required communications (continued)

Our Reporting to you

Required communications	 What is reported?	 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Audit results report
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report Audit results report

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Accounts, Audit and Risk Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

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

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

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

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

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Cherwell District Council

Accounts Audit and Risk Committee

22 September 2021

Statement of Accounts Update

Report of the Director of Finance

This report is public

Purpose of report

To receive a report to ask Members to consider the following:

- Changes to be incorporated to the draft statement of accounts.

1.0 Recommendations

The meeting is recommended to:

- 1.1 Agree that the Draft Statement of Accounts 2020/21 be endorsed, subject to the required changes identified to date in Appendix 2, and once the final audit opinion is received the Director Finance (S151 Officer), in consultation with the Chair of the Accounts, Audit and Risk Committee (or Vice Chair in case the Chairman is unavailable) be authorised to sign the accounts and it be noted that, if any material changes to the accounts are required, then an additional committee meeting would be convened to consider the changes.
- 1.2 Agree that the Director of Finance, in consultation with the Chair of the Committee (or Deputy Chair in their absence), can make any further changes to the letters of representation that may arise during completion of the audit.

2.0 Introduction

- 2.1 The Statement of Accounts has been prepared in accordance with all relevant statutory reporting requirements.
- 2.2 The statutory timescale required that the Statement of Accounts were approved by the S151 Officer and received by the Councils External Auditor, Ernst & Young (EY) by 31 July 2021. Following this the accounts are audited in advance of the External Auditor, Ernst & Young setting out their opinion on the accounts and reported to this committee.
- 2.4 The Letter of Representation is an important part of the audit process whereby the Council, via the Section 151 Officer provides representations around the operation

of the Council that allows and helps the auditors to form their opinion as to whether the financial statements give a true and fair view.

3.0 Report Details

- 3.1 The timescales for production and auditing of the 2020/21 Statement of Accounts are longer than in previous years due to the ongoing impacts of Covid-19.
- 3.2 The Statement of Accounts set out the financial performance of the Council during 2020/21 and provides useful information for the public and stakeholders to identify how the Council has managed public resources across the district.
- 3.5 The Appendix to this report sets out the changes that the Council intends to make to the draft statement of accounts based on the Audit Findings Report so far.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The external audit has not yet reached conclusion and so the final statement of accounts cannot be presented to the Committee. As the audit is approaching its conclusion, this report identifies the material changes to the draft statement of accounts that will be made.

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

- 6.1 None.

7.0 Implications

Financial and Resource Implications

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

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845,
michael.furness@cherwell-dc.gov.uk

Legal Implications

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

Comments checked by:

Chris Mace, Solicitor, 01295 221808, chris.mace@cherwell-dc.gov.uk

Risk Implications

7.3 There are no risk management implications arising directly from this report.

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes, 01295 221786,
louise.tustian@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision N/A

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

All Corporate Plan themes

Lead Councillor

N/A

Document Information

Appendix number and title

- Appendix 1 – Draft 2020/21 Statement of Accounts
- Appendix 2 – Statement of Accounts 2020/21 Changes
- Appendix 3 – Draft Letter of Representation

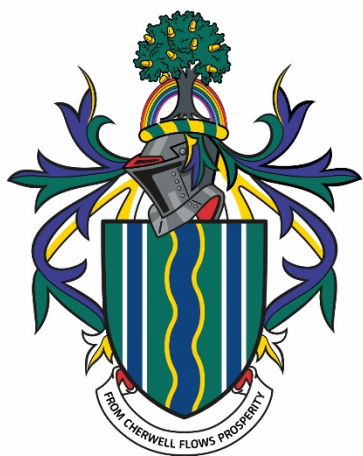
Background papers

None

Report Author and contact details

Joanne Kaye, Strategic Finance Business Partner, 01295 221545,
joanne.kaye@cherwell-dc.gov.uk

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Cherwell

DISTRICT COUNCIL
NORTH OXFORDSHIRE

DRAFT

**Statement of Accounts
2020/21**

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Introduction

Welcome to Cherwell District Council's Statement of Accounts for the year ending 31st March 2021. The Statement of Accounts is a statutory document providing information on the cost of services provided by Cherwell District Council to the council tax payer and detailing how those services were financed. In addition, it provides information, within the Balance Sheet on the value of our assets (what we own, what we are owed) and the value of our liabilities (what we owe).

Should you have any comments or wish to discuss this statement in further detail then please contact the finance team by email on finance@cherwell-dc.gov.uk or contact the Finance Team direct on 0300 003 0103.

We hope you find the financial statements of interest and we look forward to hearing your views.

Yvonne Rees
Chief Executive
Cherwell District Council
PO Box 27
Banbury
Oxfordshire
OX15 4BH

Narrative Statement – Overview of 2020/21

Executive Member's Narrative

2020/21 proved to be a hugely challenging but successful year for Cherwell District Council delivering on its objectives and playing a vital role supporting residents and businesses through the COVID-19 pandemic.

Headlines of Our Achievements in the Year Include:

- **We delivered 295** Affordable homes and 1,172 housing completions during 2020/21 (exceeding the 1,140 required in the local plan).
- The UK's largest custom and self-build housing development site, Graven Hill, has been named the best residential development of the year in the Oxfordshire property awards.
- Our waste crews emptied 5.4 million bins and collected an additional 7,067 tonnes (an increase of just over 4000 tonnes in the last 10years).
- **Over 1,900** families and 6,500 individuals signed up to our families active sporting together (FAST) programme to help families in Banbury, Bicester and Kidlington get active. Children and adults enjoyed free after school activities and money-off sports deals for the whole family.
- We supported the opening of a food and drink market, Lock29 in Castle Quay, the UK's first centre to celebrate food and drink provenance.
- **£41.3m** grants paid to businesses to support them through the Covid-19 pandemic
- **3,523** residents supported by providing reductions in council tax bills of up to £150 for Council Tax Support claimants
- 42 schools and 1,824 players took part in 'Street tag' with their family and friends. This is a friendly game app that rewards pupils, communities and schools for physical activity.
- Launch of our equality, diversity and inclusion framework, **Including Everyone**. This is a joint framework with Oxfordshire County Council, that outlines our joint approach to equalities, diversity and inclusion and sets out our vision to be leaders in our field providing inclusive services, workplaces and communities, equitable access to services and equality of opportunity.
- The **Climate Action Framework** was approved in October 2020, which describes how we will transform the way we work in order to "systematically drive lower-carbon outcomes". Cherwell's own emissions account for less than half a per cent of the total emissions of the district. Recognising this, the council will not only drive its own carbon footprint down, it is also committing to use its local influence to help reduce emissions across the district

- The Council agreed a revised budget in September 2020 in response to Covid. £4.0m of in-year savings were identified, including £1.2m use of reserves, in order to mitigate £3.5m of forecast net Covid-19 costs and losses of income and £0.5m of business as usual pressures.

In addition, we have set a budget for 2021/22 which will:

- allow the Council to support Cherwell in its recovery from the Covid-19 pandemic
- ensure the Council has contingencies in place to support its services through the recovery from the pandemic
- help the Council prepare for the challenges we know we will face in the near future related to
 - the review of local authority funding as part of the Government's forthcoming fair funding review;
 - the changes we face with business rates reset; and
 - the government's Spending Review.

The outcomes of all these changes have not been concluded yet but we anticipate they will impact significantly on the Council's finances.

I acknowledge the importance of the support that Cherwell District Council can bring to its residents and businesses and many of the achievements during 2020/21. For example, the Castle Quay regeneration and the innovative housing scheme at Graven Hill in Bicester will help the Council to support its communities.

Notwithstanding the many pressures we face, especially those arising from the pandemic, the Council remains absolutely committed to deliver its priorities and ensure that Cherwell remains a place for all.

I would like to take this opportunity to thank all of our staff who have worked throughout the year to deliver excellent services, support the nationwide response to the pandemic, balance the Council's budget and provide value for money, in addition to closing the accounts and producing this statement for our stakeholders to read.

Councillor Tony Ilott

Executive Member for Finance and Governance

Director of Finance's Narrative

Introduction

The purpose of this Narrative Report is to provide information on Cherwell District Council, its main objectives, strategies and the principal risks it faces. It sets out information to help readers understand the Council's financial position and performance during 2020/21.

Cherwell District Council provides services to residents, businesses and communities across the whole area. We are responsible for a range of services including the following; Environmental Services, Planning and Building Control, Growth and Economy, Regulatory Services, Housing, Wellbeing and Healthy Place Shaping.

We participate in and lead key partnerships that work to deliver housing and growth, environmental benefits, safer communities and improved health and wellbeing for all Cherwell residents.

With our partners at Oxfordshire County Council, we are developing an innovative new model of working in local government, focusing on delivering joined up approaches that maximise benefits for our residents. We are using the learning from this partnership to improve our work with all our partners, including the other Oxfordshire councils and other organisations.

About the District



Cherwell District in North Oxfordshire is a predominantly rural area providing an excellent environment in which to live and work. There are three urban centres – Banbury, Bicester and Kidlington –with the remainder of the population living in 70 smaller settlements. Cherwell continues to change, with a population currently totalling 151.7k (2020) projected to increase to around 161.0k by 2030.

Since 2019, the population of Cherwell district increased by 1,276 to 151,724. (By comparison the total population in Oxfordshire is 695,890 of which Cherwell’s population is 22%).

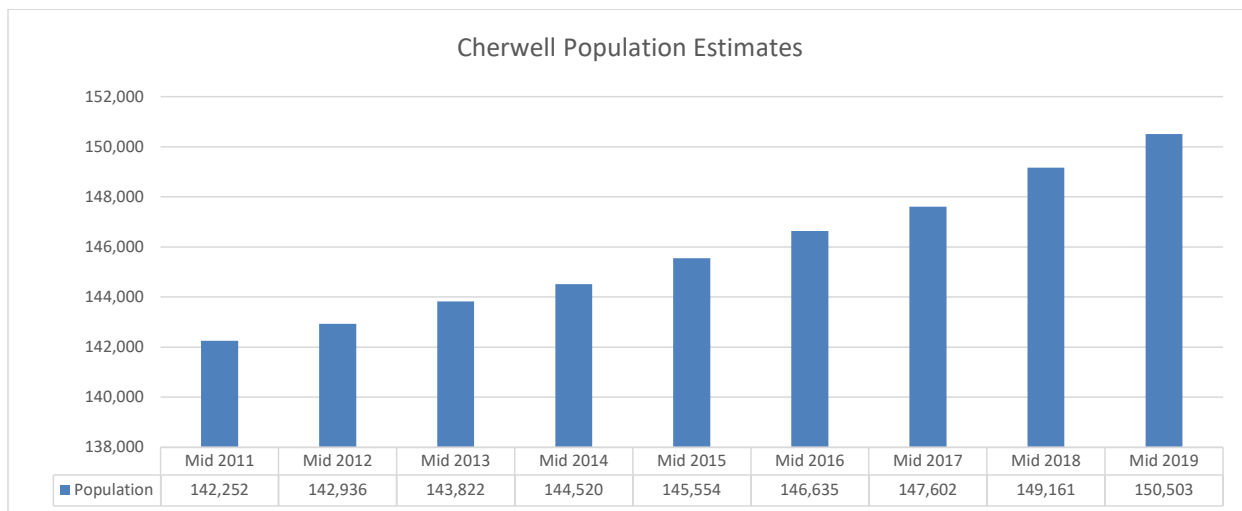


Figure 1- Time series bar chart showing the total population of Cherwell mid-2011 to mid- 2019

There are currently 67,935 houses that are subject to council tax (December 2020).

Strategic priorities for Cherwell District Council

Cherwell District Council’s ambition, as set out in our published Business Plan 2020/21, is for a district where communities can thrive, and businesses grow.

The Business Plan has four strategic priorities. The strategic priorities are underpinned by four themes, representing the basis upon which we continue to develop our organisation. The business plan informs the development of the annual budget and the operational Service Plans for the delivery of all Council services.

Our strategic priorities: for 2020/21 reflect the Council’s commitment for the district to achieve:

Housing that meets your needs

- Deliver affordable housing;
- Raise standards in rented housing;
- Find new and innovative ways to prevent homelessness;
- Promote innovative housing schemes;
- Deliver the Local Plan;
- Support the most vulnerable people.

Leading on environmental sustainability

- Deliver on our commitment to be carbon neutral by 2030;
- Promote the Green Economy;
- Increase recycling across the district;
- Protect our natural environment and our built heritage;
- Work with partners to improve air quality in the district;
- Reduce environmental crime.

An enterprising economy with strong and vibrant local centres

- Support business retention and growth;
- Develop skills and generate enterprise;
- Secure infrastructure to support growth in the district;
- Secure investment in our town centres;
- Promote the district as a visitor destination;
- Work with businesses to ensure compliance and promote best practice.

Healthy, resilient and engaged communities

- Enable all residents to lead an active life;
- Improve and develop the quality of local sport and leisure facilities;
- Promote health and wellbeing in our communities;
- Support community and cultural development;
- Working with partners to address the cause of health inequality and deprivation;
- Working with partners to reduce crime and anti-social behaviour.

Strategic Priorities:



Themes

The themes on which we develop the organisation are:

Customers

To deliver high quality, accessible and convenient services that are right first time.

Healthy Places

Working collaboratively to create sustainable, thriving communities that support good lifestyle choices.

Partnerships

Working with partners to improve the services we provide for our residents and communities.

Continuous Improvement

Making the best use of our resources and focusing on improvement, innovation and staff development to maintain and enhance services.

Annual review of priorities

The Council reports monthly on performance against 40 Business Plan Measures, with 22 Programme Measures and 19 Key Performance Indicators.

Programme Measures and Key Performance Indicators (40)

Status	Description	Year to date	Year to date %
Green	On target	28	68%
Amber	Slightly off target	9	22%
Red	Off target	3	7%
No status	No data	1	3%

The KPI measure “High risk food businesses inspected” is the ‘no data’ measures, due to the Food Standards Agency changing the national food law enforcement programme as a consequence of COVID-19. Food safety will be assured through alternative, targeted measures.

Housing that meets your needs

Committed to deliver affordable housing, raising the standard of rented housing and find new and innovative ways to prevent homelessness. Also, to promote innovative housing schemes, deliver the local plan and supporting the most vulnerable people in the District.

- Number of Homeless Households living in Temporary Accommodation

Overall, 145 individuals have been accommodated by Cherwell District Council as a result of the COVID-19 emergency. Of those, 56 moved from hotels to supported housing, 32 moved into permanent accommodation and 14 remain in hotels, however, 9 of those have an identified move-on plan.

- Average time taken to process Housing Benefit New Claims

This is reporting Green at year end, which is an excellent 10 days average against a target of 13 days. COVID-19 presented a challenge as we registered a sharp increase on the number of new claims, but our team has delivered outstandingly delivering better than the national average of 20 days.

Leading in environmental sustainability

The Council is committed to deliver on sustainability and in the commitment to be carbon neutral by 2030, promotes the Green Economy and increases recycling across the district. This priority includes the protection of our natural environment and our built heritage, working in partnerships to improve air quality in the district and the reduction of environmental crime.

- Delivering high Quality Waste & Collection Service to all Properties

Reporting Green for the year. We have managed collection of an additional 7,000 tons of waste, during this pandemic and preparations for development of separate food waste collections from this Autumn is well under way.

- Waste Recycled & Composted

With the tonnage increased by 0.5%, 7,067 additional tons of waste have been collected (10 times the annual increase) which equals 10 more bins collected per household in Cherwell. 677 additional journeys have been completed and still residents received uninterrupted service throughout.

An enterprising economy with strong and vibrant local centres

The Council is committed to support business retention and growth, developing skills and generating enterprise; also, securing infrastructure to support growth in the district and securing investment in our town centres. This priority also contributes towards making communities thrive and businesses grow promoting the district as a visitor destination, committing to work with businesses to ensure compliance and promote best practice.

- Support Business Enterprise, Retention, Growth and Promote Inward Investment

Support has been maintained by updated webpages, directly with enterprises and collaborations. The focus was COVID-19 and EU transition. Collaboration with Oxfordshire County Council and partners continued enabling enhancement of digital infrastructure throughout the district. 98% of premises, in the district, can access Superfast Broadband services.

- Deliver the Growth Deal

We are still engaged and active participants in the Oxfordshire Housing and Growth Deal. A local officer Programme Board has been established for Cherwell, which meets on a monthly basis, covering the four workstreams of affordable housing. In this 5-year programme Cherwell enters year four and has plans to progress through the Council's officer decision-making process.

Healthy, resilient and engaged communities

The Council is committed to enabling all residents to lead an active life, improving and developing the quality of local sports and leisure facilities and promoting health and wellbeing in our communities. Also, supporting community and cultural development, working with our partners to address the causes of health inequalities and deprivation, and to reduce crime and anti-social behaviour.

- Support Community Safety and Reduce Anti-Social Behaviour

Commitments to reduce crime and anti-social behaviour include; patrols around schools and parks, responding to claims of bullying raised by parents, concerns of drug dealings, off-road motorbikes and anti-social behaviour in general.

Seizure of an illegal scrap metal collector van was featured by the Banbury Guardian and social media communications, with crime prevention advice and information sharing, which was read by over 25,000 people, although cycling initiatives are still pending due to discussions with Oxfordshire County Council. The focus now is to oversee the distribution of an additional £50,000 in winter support grant.

- Support the Voluntary Sector

Several events have been successfully supported to mention Cherwell Food Network, North Banbury Network partnership, Age Friendly Banbury partnership, with Community Link March publication distributed to voluntary organisations and two new older people's information & activity sheets produced. Activities and partnerships that bring together key stakeholders and voluntary organisations, to work on initiatives together with us and support people specially during lockdown restrictions.

Our Leadership and Workforce

Our Constitution sets out the rules and procedures by which the council operates.

The Council has 48 members (or 'councillors') elected by the public to represent a particular local area. Collectively they are responsible for the democratic structure of the council, overseeing our key policies and services and setting the council's annual budget and capital programme. More information can be found on our [website](#).

The Leader of the Council is Councillor Barry Wood. Councillor Wood appoints an Executive, responsible for taking key decisions to manage the Council's business. Details of Executive members and their responsibilities can be found on our [website](#).

Employees or officers support the Executive and Council in their work and manage the Council's services and operations. The Chief Executive (Yvonne Rees) leads the most senior group of officers, the Chief Executive's Direct Reports (CEDR), who advise councillors on policy and implement councillors' decisions. The Director of Finance (Lorna Baxter), is the S151 Officer, and started in the role in late February 2020.

As at 31 March 2021 the Council's staff complement stood at 460.82 FTE (full-time equivalent) posts, representing 496 employees. The FTE and headcount figures differ because the Council has a number of staff that work part time hours. Staff are structured into directorates, each responsible for a group of services and functions in support of the delivery of the Council's Vision and Business Plan.

The Council has been working in partnership with Oxfordshire County Council since October 2018. The partnership has developed further during the year. The two councils share a Chief Executive and CEDR senior management team, and many officers work jointly across both councils. The partnership offers opportunities to join up and improve services for residents and reduce the costs of providing services.

We also work collaboratively with partners in the public, private and voluntary sector to achieve the best outcomes for our residents. Further details of how the Council works, both internally and with external partners, can be found in our Annual Governance Statement.

Risk management

During 2020/21 we continued to develop and strengthen our risk management activities. This helped us to ensure that we continue to identify and address any uncertainties relating to the achievement of our priorities.

The most significant risks facing the Council (Leadership Risks) are reported to the Executive in our monthly Performance, Finance and Risk Monitoring Reports. Leadership risks are those that could impact on the performance of the Council as a whole, and in particular on its ability to deliver its strategic priorities. The Council has maintained a focus on its financial resilience during the year, reporting this as one of the highest risks facing the Council, exacerbated by the coronavirus COVID-19 pandemic, which has increased financial pressures on the Council.

Directorates and Services within the Council also maintain operational risk registers to monitor that the impact and delivery of individual services, projects or areas of business. Operational risks which become more severe can be escalated to the Leadership level for additional management.

Financial Overview

Financial Performance

The Council sets a revenue budget, medium-term financial strategy (MTFS) and capital programme in the February preceding the start of the financial year. These are underpinned by a Financial Strategy, Capital & Investment Strategy, Treasury Management Strategy and a review and assessment of the adequacy of earmarked reserves.

Construction of the budget and budget proposals are subject to challenge by the Senior Management Team and the Director of Finance. The Budget Planning Committee scrutinises the budget proposals at its meetings before the Executive propose the budget, MTFS and Capital programme in February. The Council approves the budget at its Annual Budget meeting each February.

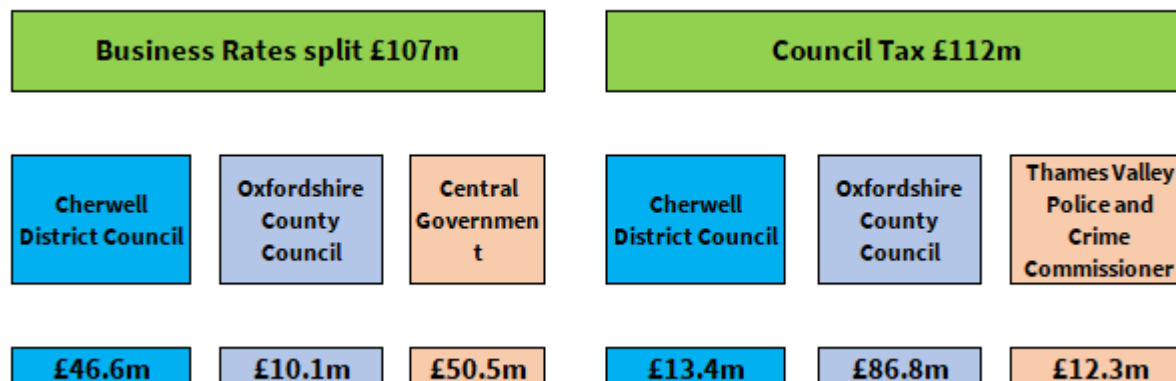
Due to the extraordinary circumstances of the global COVID-19 pandemic, the Council agreed a revised budget in September 2020. This reflected the additional costs that the Council was incurring as a result of Covid-19, the additional general grant income that the Council forecast would be received from the Government as well as a number of savings proposals to maintain a balanced budget.

Throughout the year, regular financial monitoring reports are presented to the Executive.

Resources

The District Council collects Council Tax and Business Rates on behalf of other bodies including Central Government, Oxfordshire County Council and Thames Valley Police and Crime Commissioner.

Business Rates of £107m and Council Tax of £112m were distributed in 2020/21 based on the budget set for 2020/21.



Under the current business rates scheme, income is shared between Central Government, the County Council, and Cherwell District Council. From the Council's share, the Government then charges a tariff, which is redistributed to other Local Authorities based on their need to spend. For the year ending 31 March 2021, the Council expected to retain a net £12m of business rates related income after all the allocations.

The Council is required to distribute the business rates and council tax according to how it has set its budget in the February before the beginning of the financial year. Normally the Council would expect to collect business rates and council tax in line with its budget assumptions with relatively small variances. However, due to the Covid-19 pandemic, the Government provided up to 100% business rates relief to those businesses identified as being most severely impacted by the pandemic. This meant that the actual business rates income to be collected in 2020/21 was far lower than expected when the budget was set.

In response, the Government compensated authorities for the loss of business rates as a result of COVID-19 related reliefs, allowing the Council to meet its budgetary commitments to the County and Central Government, pay its tariff and retain resources to support services. The Council collected £43m Business Rates compared to the £107m it budgeted to collect and distribute.

Pension Liabilities

The amounts payable by the Council in future years are partly offset by the value of the assets invested in the pension fund. The value of the pension fund deficit at 31 March 2021 is £96m; this reflects a deterioration of £23m from the 31 March 2020 deficit position of £73m.

Contingencies

The Council has to set aside a provision for appeals which might arise against business rates valuations. The Council has a large amount of business rates income and therefore has a large appeals provision. The Council has made the provision as follows to ensure that it can meet any future costs arising from business rates appeals.

2019/20		2020/21
£6.8m	Appeals Provision	£8.7m

The increase in appeals provisions is due in part to revaluations which took place towards the end of the financial year and end of year invoices raised but also reflect the potential detrimental economic impact of the pandemic.

Council Funding 2020/21

The Council's core funding from central government has been reducing and funding generated as a result of the economic growth development is increasing. Below the table and bar chart show where the council funding has come from.

(The figures in brackets represent income received by the Council).

2020/21 Revenue Budget Funding	Budget £m	Actual £m	Variance m
Government Grants	(0.116)	(0.116)	0.000
Council Tax	(7.517)	(7.517)	0.000
Business Rates related income	(12.134)	(11.484)	0.650
New Homes Bonus	(5.837)	(5.837)	0.000
Total Funding	(25.604)	(24.954)	0.650

The stacked bar chart below shows the split in funding for the budget and outturn positions.



Revenue Financial Outturn Position

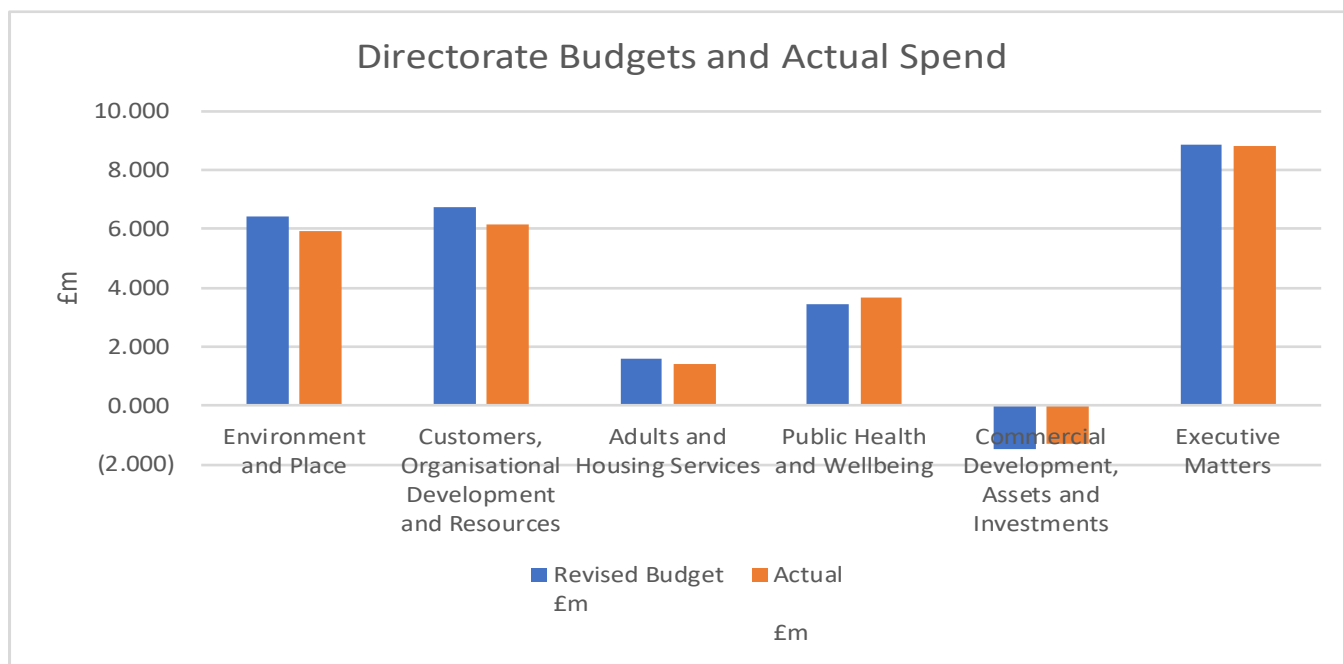
Cherwell District Council set a balanced budget in February 2020 for the 2020/21 financial year which anticipated the Council retaining sufficient reserves to cover unexpected financial impacts on the Council, with a number of specific reserves to help cover the Council's commercial activities. During March 2020 the coronavirus COVID-19 pandemic started to impact on the Council and measures were put in place to record the related additional spending and loss of income across Cherwell District Council's activities. The total financial impact of the pandemic has been calculated to be £7.4m during 2020/21 with some additional government funding provided to local authorities to help manage those additional costs.

The government has provided additional funding of £3.7m (including £1.6m for lost income), leaving the Council with a net gap of £3.7m to manage. A revised budget was agreed by Council in September 2020 to introduce in year budget reductions and use of £1.2m reserves in order to address the gap. Regular reports were considered by the Council's Executive and the Council expected to deliver the balanced budget by the 2021 year end. At the year end an overall underspend of £0.087m against the revised budget was delivered after taking into account the variances on both the Cost of Services (underspend of £0.737m) and Total Income (under budget by £0.650m).

The table below summarises the 2020/21 financial outturn position across the Council:

Financial Outturn	Revised Budget £m	Actual £m	Variance £m
Environment and Place	6.435	5.908	(0.527)
Customers, Organisational Development and Resources	6.520	6.089	(0.431)
Adults and Housing Services	1.577	1.396	(0.181)
Public Health and Wellbeing	3.453	3.693	0.240
Commercial Development Assets and Investments	(1.479)	(1.270)	0.209
Total Directorates	16.506	15.816	(0.690)
Executive Matters	9.098	9.051	(0.047)
Total Cost of Services	25.604	24.867	(0.737)
Income	(25.604)	(24.954)	0.65
Total Net Cost of Services	0	(0.087)	(0.087)

In summary, the Council saw an overall underspend of £0.737m (2.9%) across its directorates, against a budget of £25.6m.



Some of the key factors for this underspend include lower levels of borrowing and rates of interest particularly earlier in the year, a number of vacancies being held across the Council, lower consultancy costs than budgeted.

COVID-19 Impact

Whilst COVID-19 began to have an impact on the Council and its services towards the end of 2019/20, it has had a major impact on the Council's services and financial situation throughout 2020/21. The Council has suffered major losses of anticipated income, in particular from car parks, planning fee income and from its commercial properties. It has also suffered increased costs in some service areas, the most significant being Leisure Services.

As a result of proactive monitoring of the budget and forecast of the outturn position, the Council recognised the financial challenge it was facing and agreed a revised budget in September 2020 which identified £4.0m of in-year savings, including use of £1.2m reserves. These interventions were put in place to mitigate the forecast net revenue impact of Covid-19 on the Council.

Overall the cost of COVID-19 to the Council has been £7.4m in 2020/21. This was offset by £2.1m support from the Government and an estimated £1.6m compensation for 75% losses of fees and charges income. No support was provided for losses in commercial income. Overall the net cost of COVID-19 to the Council was £3.7m.

Alongside the Council learning how to provide its services remotely wherever possible, the Council has also been challenged with the significant task of paying out grant support to businesses and individuals.

Business Grants

Overall the Council has paid out £41.3m of grants to businesses to support them through the pandemic. £38.9m grant payments have been made in line with national requirements where the Council has acted as agent, on behalf of the Government. A further £2.4m have been paid using local, discretionary policies, where the Council has received funding from the Government and determined the most appropriate way in which it can be allocated to local businesses.

The table below provides a breakdown of the Grant payments made to businesses in 2020/21:

COVID-19 Business Grant Payments in 2020/21	£m
National Schemes	
Business Grants Scheme 1 & 2	26.805
Local Restrictions Support:	
Closed Addendum Lockdown 2	1.667
Open (Tier 2)	0.345
Closed (Tier 2)	0.043
Closed Addendum (Tier 4)	0.550
Closed Addendum (05/01/21 onwards)	4.769
Closed Business Lockdown (CBLP)	4.678
Christmas (CSP)	0.065
Subtotal National Schemes	38.922
Local Discretionary Schemes:	
Discretionary Grants	0.980
Additional Restrictions	1.417
Subtotal Local Discretionary Schemes	2.397
Total Business Grant Payments	41.319

The Council has carried forward £2.9m Additional Restrictions Grant into 2021/22 to continue paying grants to business and provide business support whilst emerging from lockdown.

Individual Funding

The Council has also received grant funding to support individuals on low incomes with their council tax bills and to provide them with payments if they were required to isolate as a result of contracting, or being a close contact of someone that had COVID-19.

The Council has used £0.5m of the £0.8m Hardship Grant it received to reduce council tax bills for residents of Cherwell in receipt of Council Tax Support payments by up to £150. A further £0.1m has been used to fund advice for those in financial hardship. The remaining £0.2m will be carried forward to be used to support those in financial hardship in 2021/22.

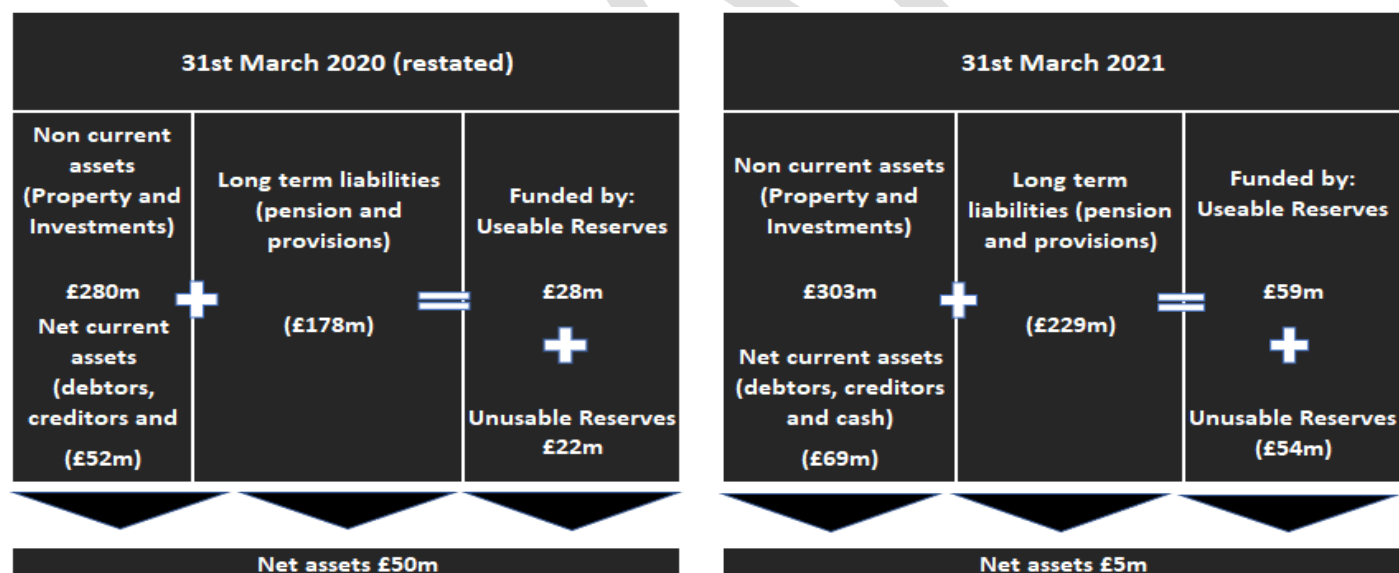
The Council has also made payments to those who have been required to isolate and have suffered financial hardship throughout 2020/21 as shown in the table below.

Test and Trace Grant Payments

Scheme	Number of payments	£m
Statutory Scheme	280	0.140
Discretionary Scheme	157	0.079

Financial Position

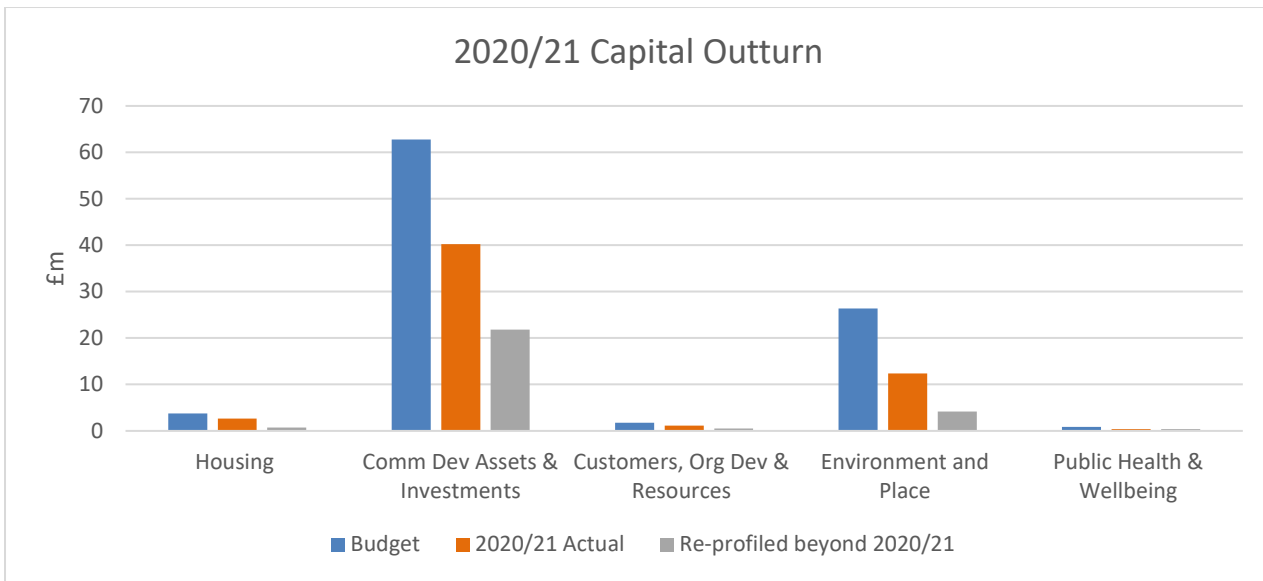
The Council maintains a sound financial position in the current financial climate.



The reduction in net assets can be primarily attributed to the increase in the pension liability and the business rates collection fund deficit.

Capital Programme

The council has an ambitious capital programme which supports its long-term strategy of delivering a thriving and vibrant environment across the district as well as recognising the importance of investing in our assets to protect our core statutory functions.



Capital investment plans for 2020 /21

The information below describes our major schemes and projects and the outcomes that we will achieve. These major strands of our increasing commercial outlook on managing our resources for Cherwell.

Castle Quay Waterfront

The Castle Quay Waterfront development will deliver an exciting new restaurant and leisure offering for Banbury, anchored by Lidl, The Light Cinema and a Premier Inn hotel. The development will act as a link between neighbouring sites such as the Spiceball Leisure Centre, The Mill and the Castle Quay shopping centre, improving connectivity within the town centre and bringing a range of evening activities for residents and visitors. The restaurants within the development will open out onto the canal, incorporating the heritage of the town and becoming an experience-led destination, where visitors socialise in a welcoming, outdoor environment.

The council is committed to creating a Banbury that is forward-looking and well positioned to meet the needs and expectations of residents, visitors and businesses. This investment will diversify and strengthen the offer within the town in what is considered a major step-change for Banbury, acting as a catalyst for further inward economic investment and growth.

Construction is well underway, with the supermarket and hotel due to open in the summer.



Images above: Castle Quay Waterfront under construction and below: CGI of the completed development



Basis of Preparation and Presentation

The Council produces a Statement of Accounts to provide transparency about the Council's finances, to give assurance to stakeholders that public money has been properly accounted for and that the financial standing of the council is on a secure basis. The accounts (including notes to the accounts) for 2020/21 are set out on pages 25 to 127.

The accounts bring together all the Council's financial statements for the year 2020/21 and show its financial position as at 31 March 2021. The statements reflect both revenue and capital elements for the Council.

The Statement of Accounts must provide a 'true and fair' view of the Council's financial position at 31 March 2021 and of its income and expenditure for the 2020/21 financial year. When preparing the accounts consideration is given to the materiality of information. Disclosure of information is made where omitting it could be misleading or inhibit the true and fair view.

The strong and prudent level of reserves are sufficient to ensure that the Council is able to continue to meet the cost of the provision of services over the medium term. Therefore, the accounts are prepared on a 'going-concern' basis.

Financial Outlook and the Coronavirus COVID-19 Pandemic

Cherwell District Council set a balanced budget in February 2021 for the 2021/22 financial year. In setting the 2021/22 budget, the Council considered the future financial impacts of the Covid-19 pandemic. A policy contingency budget of £3.5m has been developed which includes contingencies of £2.6m for potential increased costs and losses of income. The level of business rates income and council tax base were reviewed resulting in losses of income against original plans due to forecast increases in council tax support claimants and a reduction in the number of businesses eligible to pay business rates. A further £1.6m is being put into reserves in 2021/22 as a Covid-19 reserve to provide further contingency against the impacts of the pandemic. General Balances have also been increased to £5m taking into account the S151 officer's risk assessments of the current financial outlook.

The Government confirmed that the Review of Relative Needs and Resource and 75% business rates retention would not be implemented in 2021/22. Planning assumptions within the 2021/22 Medium-Term Financial Strategy now assume that there will be a business rates reset in 2022/23. A Spending Review is also expected in 2021, though it is unclear what period this will cover. Any announcements about specific local authority funding allocations would not be expected to be made until the Provisional Local Government Finance Settlement, currently anticipated in December 2021.

The Financial Statements

The Statement of Accounts sets out the Council's income levels and spending for the year and its financial position at 31st March 2021. The accounts include core and supplementary statements along with notes providing additional insight.

The format and context of the financial statements is set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom and is underpinned by International Financial Reporting Standards.

The Core Statements can be described as:

<p>Comprehensive Income and Expenditure Statement</p>	<p>Shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.</p>
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Movement in Reserves Statement	<p>Shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into ‘useable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable reserves’ (for example the Revaluation Reserve which holds unrealised gains and losses or the Capital Adjustment Account which holds adjustments between the accounting basis and funding basis under regulations). This statement shows how the movements in year of the authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance in the year following those adjustments.</p>
Balance Sheet	<p>The balance sheet shows the values as at 31 March 2021 of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority, analysed between ‘useable’ and ‘unusable’ reserves.</p>
Cash Flow Statement	<p>This summarises the changes in cash and cash equivalents during 2020/21. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the authority’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.</p>

The Supplementary Financial Statements are:

- **Notes to the Accounts** – these provide additional insight into the accounting policies and accounting transactions during the year
- **Collection Fund** – this shows a summary of the collection of Council Tax and Business Rates during the year as well as any redistribution of that money to other local authorities and central government
- **Pension Fund Account** – this shows the overall position of the investment in the Local Government Pension Fund on behalf of Council employees
- **Group Accounts** – these set out the consolidated position for the council and its subsidiary companies, namely Graven Hill companies, Crown House Banbury Limited and CSN limited. The Council also significantly funds Banbury Museum Trust which is not part of the group
- **The Annual Governance Statement** – this provides an overview of the governance arrangements and assessment of internal controls the Council has in place

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance (S151 Officer);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The S151 Officer is responsible for the preparation of the Council's Statement of Accounts, in accordance with proper practices, as set out in the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice on Local Council Accounting in the United Kingdom (the Code of Practice).

In preparing this Statement of Accounts, the S151 Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Local Authority Code

The S151 Officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

S151 Officer's Certificate:

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31st March 2020.

Lorna Baxter

Director of Finance and Section 151 Officer

Date: dd mmm 2021

Chairman of Accounts, Audit and Risk Committee Certificate:

I certify that the draft Statement has been discussed with and endorsed by the Chair of the Accounts, Audit and Risk Committee

Councillor Mike Kerford-Byrnes

Chairman of Accounts, Audit and Risk Committee

Date: dd mmm 2021

Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Year Ending 31 Mar 20 (restated)				Year Ending 31 Mar 21		
Net Expenditure Chargeable to the General Fund Balance	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement	Services	Net Expenditure Chargeable to the General Fund Balance	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
1,650	2,073	3,723	Adults and Housing Services	1,254	1,560	2,814
(10,685)	11,954	1,269	Comm Dev Assets and Invests	3,843	3,980	4,553
5,836	2,012	7,848	Cust and Org Dev & Resources	5,232	1,209	6,441
(711)	10,231	9,520	Environment & Place	6,034	14,233	20,267
(2,023)	5,490	3,467	Public Health and Wellbeing	3,272	1,511	4,783
(5,934)	31,760	25,826	Net Cost of Services	19,636	22,492	38,858
(846)	(7,882)	(8,728)	Other Income and Expenditure	(49,208)	26,772	(22,436)
(6,780)	23,878	17,098	(Surplus) or Deficit on Provision of Services	(29,572)	49,264	16,422
(23,290)		Opening Combined General Fund Balance		(28,399)		
1,671		Adjustment to opening balance		0		
(6,780)		Plus / less (Surplus) or Deficit on the General Fund Balance for the Year (Statutory basis)		(29,572)		
(28,399)		Closing Combined General Fund Balance		(57,972)		

Comprehensive (Income) and Expenditure Statement

Year Ending 31 Mar 20 (restated)			Directorates		Year Ending 31 Mar 21		
Expenditure	Income	Net			Expenditure	Income	Net
£'000	£'000	£'000	Notes		£'000	£'000	£'000
4,900	(1,177)	3,723		Adults and Housing Services	4,838	(2,024)	2,814
2,779	(1,510)	1,269		Comm Dev Assets and Invests	8,928	(1,105)	7,823
37,096	(29,248)	7,848		Cust and Org Dev & Resources	36,014	(29,573)	6,441
19,741	(10,222)	9,520		Environment & Place	34,544	(14,277)	20,267
5,254	(1,787)	3,467		Public Health and Wellbeing	6,973	(2,190)	4,783
69,770	(43,944)	25,826		Cost of Services	91,297	(49,169)	42,128
5,480	(1,666)	3,814	10	Other Operating Expenditure	5,713	0	5,713
29,823	(7,629)	22,194	11	Financing and Investment (Income) and Expenditure	24,455	(9,590)	14,865
0	(34,736)	(34,736)	12	Taxation and Non-Specific Grant (Income)	0	(43,014)	(43,014)
105,073	(87,975)	17,098		(Surplus) or Deficit on Provision of Services	121,465	(101,773)	19,692
		(9,046)	14	(Surplus) or deficit on revaluation of Property, Plant and Equipment			2,038
		(31,312)	37	Remeasurement of the net defined benefit liability / (asset)			23,517
		(40,358)		Other Comprehensive (Income) and Expenditure			25,555
		(23,260)		Total Comprehensive (Income) and Expenditure			45,247

Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020							
-As previously reported	(2,018)	(26,381)	(0)	(165)	(28,564)	(16,389)	(44,953)
-Prior year adjustment						(5,373)	(5,373)
Restated balance	(2,018)	(26,381)	(0)	(165)	(28,564)	(21,761)	(50,325)
Movement in reserves during 2020/21							
(Surplus) or deficit on the provision of services	19,692	0	0	0	19,692	0	19,692
Other Comprehensive (Income) / Expenditure	0	0	0	0	0	25,555	25,555
Total Comprehensive (Income) and Expenditure	19,692	0	0	0	19,692	25,555	45,247
Adjustments between accounting basis and funding basis under regulations - Note 08	(49,265)	0	(79)	(511)	(49,855)	49,855	0
Net (Increase) or Decrease before Transfers to Earmarked Reserves	(29,573)	0	(79)	(511)	(30,163)	75,410	45,247
Transfers (to) / from Earmarked Reserves - Note 09	26,504	(26,504)	0	0	0	0	0
(Increase) or Decrease in 2020/21	(3,069)	(26,504)	(79)	(511)	(30,163)	75,410	45,247
Balance at 31 March 2021	(5,087)	(52,885)	(79)	(676)	(58,727)	53,650	(5,077)
	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019 (adjusted)	(1,254)	(20,365)	0	(145)	(21,764)	(5,303)	(27,067)
Movement in reserves during 2019/20							
(Surplus) or deficit on the provision of services	17,098	0	0	0	17,098	0	17,098
Other Comprehensive (Income) / Expenditure	0	0	0	0	0	(40,358)	(40,358)
Total Comprehensive (Income) and Expenditure	17,098	0	0	0	17,098	(40,358)	(23,260)
Adjustments between accounting basis and funding basis under regulations - Note 08	(23,878)	0	(0)	(20)	(23,898)	23,898	0
Net (Increase) or Decrease before Transfers to Earmarked Reserves	(6,780)	0	(0)	(20)	(6,800)	(16,460)	(23,260)
Transfers (to) / from Earmarked Reserves - Note 09	6,016	(6,016)	0	0	0	0	0
(Increase) or Decrease in 19/20	(764)	(6,016)	(0)	(20)	(6,800)	(16,460)	(23,260)
Balance at 31 March 2020 (restated)	(2,018)	(26,381)	(0)	(165)	(28,564)	(21,761)	(50,325)

Balance Sheet

31-Mar-20 (restated)			31-Mar-21
£'000	Notes		£'000
133,589	14	Property, Plant and Equipment	162,482
61,121	15	Investment Property	45,306
1,504	16	Intangible Assets	2,282
29,053	17	Long Term Investments	33,053
54,623	17	Long Term Debtors	60,326
279,890		Long Term Assets	303,449
17,048	17	Short-term Investments	31,028
187	18	Inventories	224
20,320	19	Short Term Debtors	41,929
4,811	20	Cash and Cash Equivalents	7,750
42,366		Current Assets	80,931
(66,507)	17	Short-Term Borrowing	(82,584)
(24,185)	22	Short-Term Creditors	(52,349)
(1,431)	23	Provisions	(5,206)
(1,160)	31	Grants Receipts in Advance - Revenue	(8,612)
(613)	31	Grants Receipts in Advance - Capital	(777)
(93,896)		Current Liabilities	(149,528)
(5,610)	23	Provisions	(3,823)
(75,000)	17	Long Term Borrowing	(102,000)
(72,770)	37	Pension Liabilities	(95,654)
(1,576)	17	Long Term Creditors	(1,570)
(4,516)	31	Grants Receipts in Advance - Revenue	(4,174)
(18,563)	31	Grants Receipts in Advance - Capital	(22,555)
(178,035)		Long Term Liabilities	(229,776)
50,325		Net Assets	5,077
(28,564)	24	Usable Reserves	(58,727)
(21,761)	25	Unusable Reserves	53,650
(50,325)		Total Reserves	(5,077)

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2021 and its income and expenditure for the year to 31 March 2021.

Lorna Baxter

Director of Finance and S151 Officer.

Date:

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period.

31-Mar-20 (restated)			31-Mar-21
£'000	Cash Flows from Operating Activities	Note	£'000
17,098	Net (Surplus)/Deficit on Provision of Services		19,692
(2,726)	Depreciation & Impairment	14	(3,096)
(6,415)	Changes in Market Value of Property, Plant, Equipment	14	(4,721)
(237)	Amortisation of Intangible Assets	16	(367)
(14,021)	Changes in Fair Value of Investment Properties	15	(17,787)
(2,359)	Disposal of Assets	14	(2,042)
(33)	Changes in Inventory	18	37
5,524	Changes in Short term Debtors	19	21,609
(2,125)	Changes in Short term Creditors	22	(28,164)
(1,856)	Changes in Provisions	23	(1,988)
0	Changes in Deferred Capital Receipts	25	
25,330	Changes in Net Pension Liability	25	(22,884)
(31,312)	Remeasurement of Net Defined Benefit Liability	37	23,517
6	Changes in long term creditors	17	6
10,028	Changes in long term debtors	17	5,703
3,445	Capital Grants Recognised	31	13,056
4,042	Proceeds on Disposal of Property, Plant & Equipment	24	1,883
4,389	Net Cash Flows from Operating Activities		4,455
Cash Flows from Investing Activities			
19,004	Purchase of Property, Plant & Equipment	14	40,764
3,508	Purchase of Investment Property	15	1,999
771	Purchase of Intangible Assets	16	1,146
(4,042)	Proceeds from the Disposal of Property, Plant and Equipment	24	(1,883)
17,265	Net Changes in Short-term and Long-term Investments	17	17,980
36,506	Net Cash Flows from Investing Activities		60,005
Cash Flows from Financing Activities			
0	Changes in Grants and Contributions	25	0
0	Capital Grants and Contributions Recognised	31	0
(29,943)	Cash Receipts of Short-term and Long-term Borrowing	17	(43,077)
(6,451)	Any other items for which the cash effects are investing or financing cash flows		(24,322)
0	Changes in Council Tax and Business Rates Collected for Third Parties	10	
(36,394)	Net Cash Flows from Financing Activities		(67,399)
4,501	Net (Increase)/Decrease in Cash and Cash Equivalents in the Period		(2,939)
9,313	Cash and Cash Equivalents at the Beginning of the Period		4,811
4,811	Cash and Cash Equivalents at the End of the Period	20	7,750
<i>Items included in net cash flow from operating activities include:</i>			
(4,300)	Interest Receivable and similar income	17	(4,374)
2,073	Interest Payable (including Finance lease interest)	17	2,531
(2,227)			(1,843)

Notes

Note 1 – Accounting Policies

General principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31st March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices under Section 21 of the Local Government Act 2003 primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and the Service Reporting Code of Practice 2020/21, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.1 Going Concern

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the District Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

The District Council has carried out a detailed assessment of the likely impact of COVID-19 on its financial position and performance during 2021/22 as part of the budget setting process. This included consideration of the following:

- Loss of income on a service by service basis, due to temporary closures, reduction in demand, and increased collection losses.
- Additional expenditure on a service by service basis, e.g. additional costs linked to the provision of leisure services.
- Changes to government policy, e.g. guidance on supplier relief, additional funding for local authorities, and additional responsibilities which sit alongside this.
- The impact on the District Council's capital programme, e.g. delays caused by government restrictions, and whether there is a need to rephase work for other reasons.
- The impact of all of the above on the District Council's cash flow and treasury management, including availability of liquid cash (as at 30 April 2021 the Council had £4.5m instant access deposits), impact on investment returns, and availability of external borrowing if required.
- The estimated overall impact on the District Council's General Fund

As set out in the 2021/22 Budget and Medium-Term Financial Strategy 2025/26 approved by Council in February 2021, the Council has set aside a contingency to cover potential Covid-19 costs and losses of income of £2.6m. In addition, £1.6m has been set aside in an earmarked Covid-19 reserve to meet unidentified costs associated with the pandemic.

The Council's Medium-Term Financial Strategy identifies that the Council needs to identify savings of £7.3m in 2022/23. This is primarily due to a forecast loss of resources from an anticipated business rates reset and phasing out of the New Homes Bonus Grant.

The Council's Medium-Term Financial Strategy to address this gap is:

- Continue its partnering arrangements in the future including:
 - a) alignment with Oxfordshire County Council services where this will benefit our residents and businesses and make financial sense to do so
 - b) joint contracting and commissioning arrangements
 - c) continuing our journey to transform the way in which we deliver with other partners
- Overarching review of the Council's priorities for 2022/23 and beyond and alignment of the Council's resources in order to maximise delivery against these. This will require savings proposals to be identified that focus on those areas that are of a lower priority to the Council.
- Begin a fundamental review of the services provided by CDC, taking into account the changing needs of the residents of Cherwell. Ensure future service provision is focussed on the delivery of the Council's priorities.
- Considering further approaches to maximise the levels of income the Council can generate to support frontline services.
- "Growing our way" out of trouble by identifying opportunities with the right business cases
- Continuing to lobby policy makers, highlighting where we have been delivering growth and driving benefits to others

Whilst identifying £7.3m savings in 2022/23 will be a challenge, the Council has demonstrated that it is capable of identifying and delivering significant savings in recent years, following the revised budget introduced in 2020/21 and the £4.3m savings identified in the 2021/22 budget. Executive will receive monthly updates on the financial position throughout 2021/22.

The Council introduced a new reserves policy in February 2021. The draft policy was considered by Budget Planning Committee at its meeting on 29 September 2020. Following the development of the draft reserves policy a review of reserves and the purposes for which they are being held has taken place. The Council has set aside £5m of general balances when setting the 2021/22 budget and £14m of other earmarked reserves which could be made available if absolutely necessary. In addition, the District Council's cashflow forecast demonstrates that the Council has access to sufficient cash over the medium term to support Council activities.

It is therefore noted that there is significant headroom within the General Fund to absorb the estimated financial impact of COVID-19 in the short to medium-term. Furthermore, the CIPFA Code of Practice on Local Authority Accounting in England requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future.

Management has assessed that for the going concern period to March 2023, the Council will have £5m of general balances and £14m of other earmarked reserves which could be made available if necessary. The cashflow forecast to March 2023 demonstrates that the Council has access to sufficient cash over the medium term to support Council and Group activities. This assumes maximum planned borrowing of £176m in the period and includes flexibility for additional borrowing up to £124m should income be less than forecast or expenditure more than forecast in the period.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- An exception to this policy is housing benefit transactions which are accounted for on a cash basis, that is, when the payment is made.
- Interest receivable on investments is accounted for respectively as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- The de minimis level for manual accruals has been maintained at £20,000, which is reviewed annually. This removes small transactions at the end of the financial year that do not materially affect the accounts. Purchase orders raised automatically through the financial information system are processed with no de minimis level.
- For business rates, the levy or safety net payments owed to or from Central Government for the financial year are reported in the year they relate to on an accruals basis. Cherwell is the lead authority for the North Oxfordshire Pool and has accounted for the amounts owing to the Pool for levy payments and owed to the other pool members for the gain from the pool on an accruals basis.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Changes in accounting policy no longer need to be material to result in a Prior Period Adjustment.

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Accounting policies that relate to statutory accounting requirements are accounted for in the same manner as other accounting policies.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are replaced by the contribution in the General Fund Balance Minimum Revenue Payment (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Collection Fund Income and Expenditure Account

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund is to isolate the income and expenditure relating to Council Tax and National Non-Domestic Rates.

Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR.

Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Collection Fund surpluses/deficits declared by the Billing Authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. For Cherwell District Council, the Council Tax precepting bodies are Oxfordshire County Council and Police and Crime Commissioner. For Cherwell District Council, the NDR precepting bodies are Central Government (50% share) Cherwell District Council (40% share) and Oxfordshire County Council (10% share).

Cherwell District Council participates in a Business Rates pool with Oxfordshire County Council and West Oxfordshire District Council to minimise the levy payment due on growth in NDR income and thereby maximise the retention of locally generated business rates.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments and provision for appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income Expenditure Statement or CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

The Council has no Exceptional Items in 2020/21.

1.2 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu, flex-leave) earned by employees but not taken before the year-end which

employees can carry forward into the next financial year. The accrual is charged to the service account, but then reversed out through the Movement in Reserves Statement so that holiday benefits accrual has no impact on Council Tax and holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefit

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Oxfordshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme is accounted for as a defined benefit scheme.

The pension fund liability is calculated every three years by the fund's actuary, with annual updates in the intervening years. Methods and assumptions consistent with International Accounting Standard (IAS) 19 are used in the calculations. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 36. The estimate of the liability is therefore subject to significant variances based on changes to the assumptions used.

The liabilities of the Oxfordshire County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings of current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high-quality corporate bond. The discount rates are based on the annualised yield on the iBoxx over 15-year AA rated corporate bond index.

The iBoxx bond market indices are benchmarks for professional use and comprise liquid investment grade bond issues. They enable investors to analyse and select benchmarks that reflect their investment profile.

The assets of the Oxfordshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value and include quoted securities at current bid price and property at market value.

The change in the net pension's liability is analysed into the following components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs;
- Net interest on the net defined benefit liability (asset) i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- The return on assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Oxfordshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events after the Reporting Period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The fair values of loans are estimated as the price the lender would receive to sell the loans to another market participant on 31st March 2021, based on observed market rates for similar transactions.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

The Council has financial assets comprising of long-term and short-term investments, long-term debtors, short-term debtors (excluding statutory debts such as Council Tax, Non-Domestic Rates, rent allowances, precepts, etc.) and cash & cash equivalents. These are assets that have fixed or determinable payments but are not quoted in an active market. They are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

The Council has available for sale financial assets in the form of a UK Gilt and short-term Certificates of Deposit. Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Foreign Currency Translation

Where the Council has entered a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Heritage Assets—measurement and valuation

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on an annual basis.

There is an annual programme of valuations and items are valued by an external valuer. The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by the external valuers and with reference to appropriate insurance values and commercial markets using the most relevant and recent information from sales at auctions.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to

the relevant service area in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses in 2020/21:

- Graven Hill Village Holding Company Limited
- Graven Hill Village Development Company Limited
- Crown House Banbury Limited
- Crown Apartments Banbury Limited
- CSN Resources Limited
- CSN Associates Limited

Group Accounts have been prepared in accordance with paragraph 9.1.2.60 of the Code of Practice on Local Authority Accounting 2020/21, using uniform accounting policies for like transactions and other events in similar circumstances.

Inventories and Long-Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for by charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. The council's portfolio of investment property includes Castle Quay Shopping Centre and Tramway Industrial Estate alongside other commercial and industrial units across the district.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

As of the 31 March 2021, the council shared CSN Resources Ltd and CSN Associates with South Northamptonshire Council but did not have overall control; it was therefore party to a joint operation. Cherwell District Council will include its share of CSN Resources Ltd and CSN Associates in its group accounts using the equity method.

On the 1 April 2021, South Northamptonshire Council ceased to exist as an organisation. Joint operation of CSN Resources and CSN Associates will be undertaken with West Northamptonshire Council from this date.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

1.3 The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements.

Depreciation, revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

1.4 The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts

Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of noncurrent assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When applying the definition of fair value, non-financial assets and, non-current assets held for sale shall be measured at highest and best use.

Property, Plant & Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual's basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

The Council has a de minimis limit of £10,000 for capital expenditure purposes which results in the capitalisation of expenditure above that limit as an asset in the balance sheet. Items below this limit are charged to revenue.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located if the cost is above the £5,000 de minimis threshold.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Vehicles, plant and equipment are held at depreciated historical cost.
- Infrastructure, community assets and assets under construction are held at historical cost.
- Dwellings – Current value, determined using the basis of Existing Use Value for Social Housing (EUV–SH).
- Other land and buildings and operational assets where there is an active market – Current value determined as the amount that would be paid for the asset in its existing use (EUV).
- Operational assets, such as community and sports centres, where there is no market-based evidence of current value because of the specialist nature of the asset and/or the asset is rarely sold (i.e. EUV cannot be determined)- depreciated replacement cost using the ‘instant build’ approach as an estimate of current value.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective
- Fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at current value are revalued regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits taken to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

The council's property valuations are carried out by Montagu Evans and Colliers. The bases of valuations are undertaken in accordance with the Statement of Asset Valuation Practice and Guidance Notes, published by the Royal Institute of Chartered Surveyors (RICS).

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication they may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer and/or Responsible Officer for that asset; and

- Infrastructure – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer, and/or Responsible Officer and/or valuer for that asset.

Newly acquired assets and capital enhancements are depreciated from the year after acquisition.

Useful life of an asset is shown below for the relevant categories:

- | | |
|--------------------------------|------------------|
| • Infrastructure | 10 to 40 years |
| • Buildings | 10 to 60 years |
| • Vehicles | 5, 6 or 7 years |
| • Computer Equipment / systems | 3, 5 or 10 years |
| • Other | 3 to 30 years |

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. All assets with a gross value over £50,000 are considered for componentisation.

If on consideration a component is assessed to be greater than 20% of the total cost of the asset, it is componentised, and the separate components depreciated using appropriate useful lives. Components that are individually less than 20% of the total cost of the asset are not treated as separate components for accounting purposes. They are valued and depreciated as part of the building structure.

The following two components have been identified for items of property:

- Land
- Structure of Building

Each component is considered to depreciate on a straight-line basis. The useful life of a component will vary according to the type of property in which it is located and the amount of use to which it is put. The useful life of a component will be determined by the valuer when a component part is identified.

Where a component is replaced or restored, the carrying amount of the old component shall be derecognised to avoid double counting and the new component reflected at the cost or new carrying value.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses recognised previously in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale and are kept under their original category.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings and 50% for land, net of statutory deductions and allowances) are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The net book value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets, investment properties, assets held for sale and some of its financial instruments, such as equity shareholdings, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

Minimum Revenue Provision

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation on non-current assets. However, it is required to make an annual contribution from revenue towards provision for the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the Minimum Revenue Provision in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

1.5 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged to the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim) this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to count against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept managing the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income. The amount of VAT irrecoverable is negligible.

Rounding

In preparing the Statement of Accounts all numbers, including totals, have been rounded independently to avoid unacceptable rounding errors. This may mean that some tables do not cross cast.

Note 2 – Accounting Standards Issued, Not Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) the Council is required to disclose and set out the impact of accounting code changes required by new accounting standards that have been issued but not yet adopted by the code.

The following are the accounting policies that have been issued but have not been adopted by the Council as at the Balance Sheet date:

- IFRS 16 Leases will require Local Authorities that are lessees to recognise most leases on their balance sheet as right-of use-assets with corresponding lease liabilities. CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2022.
- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

The above amendments are not expected to have a material impact on the information provided in local authority financial statements in 2020/21.

Note 3 – Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows.

Lease Accounting

- Judgement is required in the initial classification of leases as either operating leases or finance leases. Where a lease is taken out for land and buildings combined, the lease may be capitalised as a finance lease if it meets the criteria for a finance lease, but will be classed as an operating lease by the Council unless title transfers at the end of the lease. The accounting policy for leases is set out in Note 1.
- Following the postponement of IFRS 16 implementation for Public Sector bodies to 1st April 2022, The Council has opted to use this opportunity to defer its implementation in order to use the extra resource capacity to respond to the on-going Covid-19 emergency. Thus, with respect to leases, the accounts have been completed on the same basis as previous years.

Provision for Outstanding Business Rates Appeals

On 1 April 2013, Local Authorities assumed the liability for refunding ratepayers who have successfully appealed against the Business Rates rateable value of their properties. The provision is charged to the Collection Fund.

- In relation to Business Rates Retention, the council has estimated a provision for NDR appeals. We have analysed information from the valuation office and consulted with other Oxfordshire Authorities and used information from the valuation office agency (VOA) revaluation to arrive at the figure in the accounts. The top-up and tariff equalisation mechanism in the business rates retention scheme was adjusted for 2018/19 to ensure that authorities were no better or worse off as a result of the revaluation of rateable values that took effect from 1 April 2017.

- The introduction of the new 2017 rating list on 1st April 2017 and the new methodology of businesses making appeals to the VOA of 'Check, Challenge and Appeal' required us to change the method of calculating potential losses on appeals and is now based upon a % of net rates payable.
- For all outstanding appeals on the 2010 rating list, the methodology has not changed and is based upon the past success of appeals that have been lodged and is updated with the information provided by the VOA on a monthly basis relating to settled appeals.

Note 4 – Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Valuations

Uncertainties	Effect if Actual Results Differ from Assumptions
<p>The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Market activity is being impacted in many sectors. As at the valuation date, consider that less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that all are faced with an unprecedented set of circumstances on which to base a judgement.</p>	<p>Therefore, the valuations are reported on the basis of ‘material valuation uncertainty’ as per the Valuation Technical and Performance Standards (VPS 3) and the Material Valuation Uncertainty Standard (VPGA 10) of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, it is recommended that the valuations of these properties need to be reviewed every six months. Further details at https://www.rics.org/uk/upholdingprofessional-standards/sector-standards/valuation/valuationcoronavirus.</p>

Depreciation of property, plant and equipment

Uncertainties	Effect if Actual Results Differ from Assumptions
<p>The Council assigns useful lives and residual values to property, plant and equipment based on periodic studies of actual asset lives and the intended use for those assets.</p> <p>Changes in circumstances such as technological advances, prospective economic utilisation and physical condition of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.</p>	<p>Where the Council determines that the useful life of property, plant and equipment should be shortened or residual value reduced, it depreciates the net book value in excess of the residual value over the revised remaining useful life, thereby increasing depreciation expense. Any change in an asset’s life or residual value is reflected in the Council’s accounts when the change in estimate is determined.</p> <p>The carrying value of depreciable assets in the balance sheet is £108m. This amount comprises of Land & Buildings, Plant, Vehicles & Equipment, Infrastructure Assets and Intangible Assets.</p>

Impairment of Property, Plant & Equipment & Intangible Assets

Uncertainties	Effect if Actual Results Differ from Assumptions
<p>The Council assesses the impairment of property, plant and equipment and intangible assets (excluding goodwill) whenever events or changes in circumstances indicate that the carrying value may not be recoverable or otherwise as required by accounting standards</p> <p>Factors that are considered important and which could trigger an impairment review include the following:</p> <ul style="list-style-type: none"> • obsolescence or physical damage; • significant changes in technology and regulatory environments; • significant underperformance relative to expected historical or projected future operating results; • significant changes in the use of its assets or the strategy of the overall business; • significant negative industry or economic trends and • significant decline in the market capitalisation relative to net book value for a sustained period 	<p>The identification of impairment indicators, the estimation of future cash flows and the determination of the recoverable amount for assets or cash generating units requires significant judgement which is determined by a qualified valuer.</p>

Fair Value Measurements

Uncertainties	Effect if Actual Results Differ from Assumptions
<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for <i>similar</i> assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority's chief valuation officer and external valuer).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 14 and 15 below.</p>	<p>The authority uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets).</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.</p>

Impairment allowance for doubtful debt

Uncertainties	Effect if Actual Results Differ from Assumptions
<p>The Impairment allowance for doubtful debt reflects the Council's estimates of losses arising from the failure or inability of the Council's customers to make required payments.</p> <p>The allowance is based on the ageing of customer accounts, customer credit worthiness and the Council's historical write-off experience. One off debts for significant amounts have also been included if we have reasonable grounds to assume that we are unlikely to receive payment.</p>	<p>Changes to the allowance may be required if the financial condition of the Council's customers improves or deteriorates.</p> <p>An improvement in financial condition may result in lower actual write-offs.</p>

Provision for Business Rates Appeals

Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Following the changes in accounting for Business Rates, the Council has set up a provision for Business Rates appeals. The provision has been calculated based upon the latest appeals list from the Valuation Office. Business Rates Pool has used its local knowledge to calculate their provisions, for Cherwell this equated to 16.4% of Net Rates Payable.</p>	<p>If the provision for appeals was increased by 1% the resulting increase would be £1m shared across Central Government (50%), the county council (10%) and Cherwell District Council (40%)</p>

Pensions

Uncertainties	Effect if Actual Results Differ from Assumptions
<p>The Council provides one defined benefit pension scheme for its employees. The asset (or liability) recognised in the statement of financial position in respect of defined benefit pension plans represents the fair value of plan assets less the present value of the defined benefit obligations at the reporting date. The expected cost of providing these defined benefit pensions will depend on an assessment of such factors as:</p> <ul style="list-style-type: none"> • the life expectancy of the Officers; • the length of service; • the rate of salary progression; • the rate of return earned on assets in the future; • the rate used to discount future pension liabilities; and • future inflation rates. 	<p>The assumptions used by the Council are set out in note 37 and are estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice but have been comparable to the median estimates in this regard used by other Councils.</p> <p>Changes to these assumptions could materially affect the size of the defined benefit scheme's liabilities and assets disclosed in note 37.</p>

Note 5 - Material Items of Income and Expense

Pensions

The actuary carried out a valuation as at 31 March 2021. This has resulted in pension assets increasing from £102m at 31 March 2020 to £129m at 31 March 2021.

Liabilities have increased from £175m at 31 March 2020 to £226m at 31 March 2021, which resulted in a net increase in liability of £23m.

Prior Year Adjustments

1. Asset Valuations

During the year under review some required corrections to the accounting for the asset valuations completed for 2019-20 were identified as follows:

- The Sunshine Community Centre is an asset owned by the Council which was acquired in 2005 at nil value. The Centre was valued in 2019-20 at a value of £2.1m; however, the assets register was not updated following a change to the lease arrangements in 2019-20 resulting in the asset values being understated in the 2019-20 accounts. This has been rectified in 2020-21.
- The Kingsmere Sports Centre and Kingsmere Community Centre are 2 separate assets; however, these have been accounted for as a single asset in the assets register. The Community centre was valued in 2019-20 and a revaluation loss of £3.5m recognised. As the 2019-20 valuation related to the Community Centre only and the Sports Centre asset had a nil valuation, this has been rectified in 2020-21 by revaluing the Sports Centre with the resultant increase in asset value in the 2019-20 accounts.

In view of the fact that these corrections in the previous year resulted in a material understatement in asset values of approximately £5.4m they have been treated as a prior year adjustment with the previous year balances being restated.

As the revised balances only effect the 2019-20 year adjustments to prior years is not required.

The effect of the restatements on the 2019-20 balances are detailed in the following tables

Effect on the Comprehensive Income and Expenditure Statement 2019-20

Comprehensive Income and Expenditure	Balances as Previously Stated £'000	Restatement-Asset Valuations £'000	Balances as Restated £'000
Comm Dev Assets and Invests	4,539	(3,270)	1,269
Cost of Services	29,096	(3,270)	25,826
(Surplus) or Deficit on Provision of Services	20,386	(3,270)	17,098
(Surplus) or deficit on revaluation of Property, Plant and Equipment	(6,942)	(2,104)	(9,046)
Other Comprehensive Income and Expenditure	(38,254)	(2,104)	(40,358)
Total Comprehensive Income and Expenditure	(17,886)	(5,373)	(23,259)

Effect on Movement in Reserves 2019-20-General Fund

General Fund	Balances as Previously Stated £'000	Restatement- Asset Valuations £'000	Balances as Restated £'000
Surplus or deficit on provision of services	20,368	(3,270)	17,098
Total comprehensive income and expenditure	20,368	(3,270)	17,098
Adjustments between accounting basis and funding basis under regulations	(27,148)	3,270	(23,878)

Effect on Movement in Reserves 2019-20-Usable Reserves

Useable Reserves	Balances as Previously Stated £'000	Restatement- Asset Valuations £'000	Balances as Restated £'000
Surplus or deficit on provision of services	20,368	(3,270)	17,098
Total comprehensive income and expenditure	20,368	(3,270)	17,098
Adjustments between accounting basis and funding basis under regulations	(27,168)	3,270	(23,898)

Effect on Movement in Reserves 2019-20 Unusable Reserves

Useable Reserves	Balances as Previously Stated £'000	Restatement- Asset Valuations £'000	Balances as Restated £'000
Other comprehensive Income and Expenditure	(38,254)	(2,104)	(40,358)
Total comprehensive income and expenditure	(38,254)	(2,104)	(40,358)
Adjustments between accounting basis and funding basis under regulations	27,168	(3,270)	23,898
Net increase or decrease before transfers to earmarked reserves	(11,086)	(5,373)	(16,459)
Increase or Decrease in 2019-20	(11,086)	(5,373)	(16,459)
Balance at 31 March 2020	(16,389)	(5,373)	(21,762)

Effect on Movement in Reserves 2019-20-Total Reserves

Total Reserves	Balances as Previously Stated £'000	Restatement- Asset Valuations £'000	Balances as Restated £'000
Surplus or deficit on provision of services	20,368	(3,270)	17,098
Other comprehensive Income and Expenditure	(38,254)	(2,104)	(40,358)
Total comprehensive income and expenditure	(17,886)	(5,373)	(23,259)
Net increase or decrease before transfers to earmarked reserves	(17,886)	(5,373)	(23,259)
Increase or Decrease in 2019-20	(17,886)	(5,373)	(23,259)
Balance at 31 March 2020	(44,953)	(5,373)	(50,326)

Effect on Balance Sheet at 31 March 2020

Balance Sheet	Balances at 31 March 2020-As Previously Stated £'000	Restatement- Asset Valuations £'000	Balances at 31 March 2020-As Restated £'000
Property, Plant and Equipment	128,216	5,373	133,589
Total Long-term Assets	274,517	5,373	279,890
Net Assets	44,953	5,373	50,326
Unusable Reserves	(16,388)	(5,373)	(21,761)
Total Reserves	(44,953)	(5,373)	(50,326)

2. Section 106 Developer Contributions

During 2020/21 an extensive review of S106 balances was undertaken. The review allowed for the classification of balances held as either for revenue or capital purposes and an assumed timeframe for expenditure allowed them to be further analysed between current and long-term liabilities. The impact is only on the balance sheet as follows:

Balance Sheet	Balances at 31 March 2020-As Previously Stated £'000	Restatement- S106 Classification £'000	Balances at 31 March 2020-As Restated £'000
Grants Receipts in Advance (Revenue)	(4,103)	2,943	(1,160)
Grants Receipts in Advance (Capital)	0	(613)	(613)
Total Current Liabilities	(96,226)	2,330	(93,896)
Grants Receipts in Advance (Revenue)	0	(4,516)	(4,516)
Grants Receipts in Advance (Capital)	(20,749)	2,186	(18,563)
Total Long-Term Liabilities	(175,705)	(2,330)	(178,035)

Note 6 – Events after the Balance Sheet Date

Nothing To report

Note 7a – Note to the Expenditure and Funding Analysis

Year Ending 31 Mar 21						
	Net Capital Statutory Adjustments £'000	Net Pensions Statutory Adjustments £'000	Other Statutory Adjustments £'000	Other Differences £'000	Total Adjustments £'000	
Adults and Housing Services	1,290	269	0	0	1,559	
Comm Dev Assets and Invests	3,631	349	0	0	3,980	
Cust, Org Dev & Res	428	781	0	0	1,209	
Environment & Place	12,826	1,407	0	0	14,233	
Public Health and Wellbeing	1,335	176	0	0	1,511	
Non-Distributed Services	0	0	0	0	0	
Net Cost of Services	19,510	2,982	0	0	22,492	
Other Income and Expenditure	6,555	(3,615)	23,832	0	26,772	
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	26,065	(633)	23,832	0	49,264	
Year Ending 31 Mar 20 (restated)						
	Net Capital Statutory Adjustments £'000	Net Pensions Statutory Adjustments £'000	Other Statutory Adjustments £'000	Other Differences £'000	Total Adjustments £'000	
Adults and Housing Services	1,588	485	0	0	2,073	
Comm Dev Assets and Invests	11,107	847	0	0	11,954	
Cust and Org Dev & Resources	305	1,707	0	0	2,012	
Place and Growth	7,541	2,690	0	0	10,231	
Public Health and Wellbeing	5,193	297	0	0	5,490	
Non-Distributed Services	0	0	0	0	0	
Net Cost of Services	25,734	6,026	0	0	31,760	
Other Income and Expenditure	(5,257)	2,485	(5,110)	0	(7,882)	
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	20,477	8,511	(5,110)	0	23,878	

Net Capital Statutory Adjustments

This column adds in depreciation and impairment and revaluation gains and losses in the service line.

- For other operating expenditure, it adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- For financing and investment income and expenditure, it adjusts for the statutory charges for capital financing and investment i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- For taxation and non-specific grant income and expenditure, capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivables in the year to those receivables without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Pensions Statutory Adjustments

This column adjusts for the net change for the renewal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income.

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

Other Statutory Adjustments

- Other statutory adjustments between amounts charged/(received) to the Comprehensive Income and Expenditure Statement and amounts payable / (receivable) to be recognised under statute. For financing and investment (income) and expenditure the other differences column recognises adjustments to General Fund for the timing differences for premiums and discounts and financial instruments.
- The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and Non-Domestic Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference, as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Other Non-statutory Adjustments

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

- For financing and investment income and expenditure the other statutory adjustments column recognises adjustments to service segments, e.g. for interest income and expenditure and changes in the fair values of investment properties.
- For taxation and non-specific grant income and expenditure the other non-statutory adjustments column recognises adjustments to service segments, e.g. for un-ringfenced government grants.

Note 7b – Segmental Analysis of Income and Expenditure

31-Mar-21	Revenues from External Customers £'000	Revenues from Other Segments £'000	Interest Revenue £'000	Interest Expense £'000	Depreciation and Amortisation £'000
Adults and Housing Services	(287)	(1,737)	0	0	72
Cust and Org Dev & Resources	(2,008)	(27,565)	0	0	428
Public Health and Wellbeing	(285)	(1,905)	0	0	1,073
Environment & Place	(6,879)	(7,398)	0	0	1,541
Comm Dev Assets and Invests	(965)	(140)	0	0	349
Non-Distributed Services	(6,920)	(30,119)	(4,372)	2,531	0
Total Managed by Segments	(17,344)	(68,864)	(4,372)	2,531	3,463

31-Mar-20	Revenues from External Customers £'000	Revenues from Other Segments £'000	Interest Revenue £'000	Interest Expense £'000	Depreciation and Amortisation £'000
Adults and Housing Services	(241)	(937)	0	0	110
Cust and Org Dev & Resources	(2,050)	(27,192)	0	0	305
Public Health and Wellbeing	(539)	(1,249)	0	0	1,133
Environment & Place	(8,209)	(2,013)	0	0	1,030
Comm Dev Assets and Invests	(943)	(573)	(4,298)	0	386
Non-Distributed Services	(5,731)	(23,997)	0	2,069	0
Total Managed by Segments	(17,713)	(55,961)	(4,298)	2,069	2,964

Note 8 - Adjustments between Accounting Basis and Funding Basis under Regulations 2020/21

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Note 8 Continued

31-Mar-21	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to or (from) the Pensions Reserve)	633	0	0	(633)
Council tax and NDR (transfers to or (from) the Collection Fund)	(25,776)	0	0	25,776
Holiday pay (transferred to the Accumulated Absences reserve)	(3)	0	0	3
Reversal of entries included in the (Surplus) or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(40,878)	0	0	40,878
Total Adjustments to Revenue Resources	(66,024)	0	0	66,024
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,883	(1,883)	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,820	0	0	(1,820)
Total Adjustments between Revenue and Capital Resources	3,703	(1,883)	0	(1,820)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	1,804	0	(1,804)
Application of capital grants to finance capital expenditure	13,056	0	(511)	(12,545)
Total Adjustments to Capital Resources	13,056	1,804	(511)	(14,348)
Total Adjustments	(49,265)	(79)	(511)	49,855

Note 8 Continued...

31-Mar-20 (restated)	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied	Movement in Unusable Reserves
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to or (from) the Pensions Reserve)	(5,982)	0	0	5,982
Council tax and NDR (transfers to or (from) the Collection Fund)	926	0	0	(926)
Holiday pay (transferred to the Accumulated Absences reserve)	(1)	0	0	1
Reversal of entries included in the (Surplus) or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(27,935)	0	0	27,935
Total Adjustments to Revenue Resources	(32,992)	0	0	32,992
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	4,039	(4,039)	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,630	0	0	(1,630)
Total Adjustments between Revenue and Capital Resources	5,669	(4,039)	0	(1,630)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	4,039	0	(4,039)
Application of capital grants to finance capital expenditure	3,445	0	(20)	(3,425)
Total Adjustments to Capital Resources	3,445	4,039	(20)	(7,464)
Total Adjustments	(23,878)	0	(20)	23,898

Note 9 - Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

Earmarked Reserves	Balance at 31 March 2019	Transfers In 2019/20	Transfers Out 2019/20	Balance at 31 March 2020	Transfers In 2020/21	Transfers Out 2020/21	Balance at 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Reserves - Other	(17,480)	(9,356)	2,879	(23,957)	(34,446)	8,620	(49,783)
Area Based Grant	(83)			(83)		83	0
Bicester Fields Main Park	(97)			(97)		97	0
Brighter Futures - Skills Reward Grant	(17)		8	(9)		9	0
Bicester Garden Town	(1,005)		223	(782)	(977)	232	(1,527)
Bicester Youth Bus	(65)		30	(35)		5	(30)
Courtyard Youth Arts	(39)		30	(9)			(9)
Dovecote Milcombe	(56)		24	(32)			(32)
Eco Town Revenue	(30)	(88)	114	(4)			(4)
Flood Recovery Grant	(40)			(40)			(40)
Green Deal Pioneer Places	(67)			(67)			(67)
Home Improvement Agency	(221)			(221)			(221)
Homelessness Prevention	(389)		34	(355)	(374)		(729)
New Burdens Grant	(248)			(248)		248	0
Elections Reserve	(21)		21	0			0
Police & Crime Commissioner	(64)			(64)			(64)
Thames Valley Police	(28)		28	0			0
Sportivate Grant	(33)	(22)		(55)			(55)
Active Women	(22)		22	0			0
Credit Union Development Officer	0			0			0
Housing and Planning Initiatives	(322)			(322)			(322)
Laburnham Cres Ambrosden	(38)		38	0			0
Total General Fund	(20,365)	(9,466)	3,451	(26,380)	(35,797)	9,294	(52,883)

Note 10 - Other Operating Expenditure

31-Mar-20	Other Operating Expenditure	31-Mar-21
£'000		£'000
5,480	Precepts to other authorities and charging bodies	5,555
(1,666)	(Gains)/losses on the Disposal of Non-Current Assets	158
3,814	Total Other Operating Expenditure	5,713

Note 11 - Financing and Investment Income and Expenditure

A breakdown of the items within the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement is as follows:

31-Mar-20	Financing and Investment Income & Expenditure	31-Mar-21
£'000		£'000
2,069	Interest payable and similar charges	2,530
2,402	Net interest on the net defined benefit liability (asset)	1,704
(4,298)	Interest receivable and similar income	(4,373)
13,628	Income and expenditure in relation to investment properties and changes in their fair value	17,784
8,394	Other investment income and expenditure	(2,780)
22,194	Total	14,865

Note 12 - Taxation and Non-Specific Grant Income

A breakdown of the items in the Taxation and Non-Specific Grant Income line within the Comprehensive Income and Expenditure Statement is:

31-Mar-20	Taxation and Non-Specific Grant Income	31-Mar-21
£'000		£'000
(12,308)	Council tax income	(12,895)
(18,983)	Non-ringfenced government grants	(17,063)
(3,445)	Capital grants and contributions	(13,056)
(34,736)	Total	(43,014)

Note 13 – Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

31-Mar-20 (restated) £'000	Nature of Expenditure or Income	31 March 2021 £'000
	Expenditure	
24,033	Employee benefits expenses	24,330
75,087	Other expenditure	82,158
2,071	Interest payments	2,531
5,480	Precepts and levies	5,555
(1,597)	Depreciation, amortisation and impairment	6,734
0	Gain or loss on disposal of non-current assets	158
105,074	Total Expenditure	121,465
	Income	
(18,235)	Fees, charges and other service income	(17,337)
(1,898)	Interest and investment income	(2,670)
(12,303)	Income from local taxation	(12,895)
(53,874)	Government grants and contributions	(68,871)
(1,666)	Gain or loss on disposal of non-current assets	0
(87,976)	Total Income	(101,773)
20,368	Surplus or Deficit for Year	19,692

Note 14 – Property, Plant and Equipment

Movements to 31-Mar-21							
	Land and Buildings	Vehicles Plant & Equipment	Infrastructure	Community	Surplus	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
-As previously reported	102,052	14,008	5,556	38	10	20,978	142,643
-Prior year adjustment	5,373						5,373
Balance brought forward as restated	107,425	14,008	5,556	38	10	20,978	148,016
Additions	347	797	-	-	-	39,619	40,764
Acc Dep & Imp WO to GCA	(583)	-	-	-	-	-	(583)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,043)	-	-	-	5	-	(2,038)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,721)	-	-	-	-	-	(4,721)
Derecognition - Disposals	(1,818)	(308)	-	-	-	(203)	(2,328)
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-	-
Other movements in Cost or Valuation	3,303	-	-	-	-	(3,303)	-
At 31 March 2021	101,911	14,498	5,556	38	15	57,091	179,110
Accumulated Depreciation & Impairment							
Balance Brought Forward	(1,961)	(9,628)	(2,838)	-	-	-	(14,427)
Depreciation Charge for 2020/21	(2,090)	(928)	(78)	-	-	-	(3,096)
Acc. Depreciation WO to GCA	583	-	-	-	-	-	583
Derecognition - Disposals	5	308	-	-	-	-	313
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-
At 31 March 2020	(3,463)	(10,249)	(2,915)	-	-	-	(16,627)
Net Book Value							
At 31 March 2021	98,448	4,249	2,641	38	15	57,091	162,482
At 31 March 2020 (restated)	105,464	4,380	2,719	38	10	20,978	133,589

Movements to 31-Mar-20 (restated)							
	Land and Buildings	Vehicles Plant & Equipment	Infrastructure	Community	Surplus	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
Brought forward	99,861	12,997	5,443	24	10	12,759	131,094
Additions	2,252	1,212	113	14	-	15,412	19,003
Acc Dep & Imp WO to GCA	(2,089)	-	-	-	-	-	(2,089)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	10,212	-	-	-	-	-	10,212
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,581)	-	-	-	-	-	(7,581)
Derecognition - Disposals	(2,350)	(201)	-	-	-	(37)	(2,588)
Assets reclassified (to)/from Investment Property	(34)	-	-	-	-	-	(34)
Other movements in Cost or Valuation	7,155	-	-	-	-	(7,155)	-
At 31 March 2020	107,425	14,008	5,556	38	10	20,979	148,016
Accumulated Depreciation & Impairment							
Brought forward	(2,367)	(8,978)	(2,683)	-	-	-	(14,028)
Depreciation Charge for 2019/20	(1,626)	(852)	(154)	-	-	(94)	(2,726)
Acc. Depreciation WO to GCA	2,089	-	-	-	-	-	2,089
Derecognition - Disposals	29	201	-	-	-	-	230
Assets reclassified (to)/from Investment Property	8	-	-	-	-	-	8
Other movements in Depreciation and Impairment	(94)	-	-	-	-	94	-
At 31 March 2020 (restated)	(1,961)	(9,629)	(2,837)	-	-	-	(14,427)
Net Book Value							
At 31 March 2020 (restated)	105,464	4,379	2,719	38	10	20,979	133,589
At 31 March 2019	97,494	4,019	2,760	24	10	12,759	117,066

Property, Plant and Equipment Revaluations -

31-Mar-21	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	3,972	14,498	38		18,508
Valued at current value as at:					
31/03/2021	36,836	-	-	15	36,851
31/03/2020	53,733	-	-	-	53,733
31/03/2019	7,370		-	-	7,370
Total Cost or Valuation	101,911	14,498	38	15	116,462

Note 15 – Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

31-Mar-20	Investment Property Income and Expenditure	31-Mar-21
£'000		£'000
(5,233)	Rental income from investment property	(6,817)
1,754	Direct operating expenses from investment property	1,823
(3,479)	Net (gain)/loss	(4,994)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

Movement in the fair value of Investment Properties over the year:

31-Mar-20	Investment Property Movements in Year	31-Mar-21
Non-Current		Non-Current
£000		£000
71,608	Balance at Start of Year	61,121
-	Additions: Purchases	-
3,508	Enhancements	1,999
-	Disposals	(26)
(14,021)	Net (gains)/losses from fair value adjustments	(17,787)
26	Transfers (to)/from Property, Plant and Equipment	-
61,121	Balance at End of Year	45,306

Details of the Council's investment properties and surplus assets and information about the fair value hierarchy as at 31 March 2021 are as follows:

Fair Value Hierarchy				
Recurring fair value measuring usage	Quoted Prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2021 £'000
Investment Properties	-	45,306	-	45,306
Surplus Assets	-	15	-	15
Sub-total	-	45,321	-	45,321
Residential (market rental) properties	-	-	-	-
Office Units	-	1,197	-	1,197
Commercial Units	-	44,124	-	44,124
Totals	-	45,321	-	45,321

Details of the Council's investment properties and surplus assets and information about the fair value hierarchy as at 31 March 2020 are as follows:

Fair Value Hierarchy				
Recurring fair value measuring usage	Quoted Prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2020 £'000
Investment Properties	-	61,121	-	61,121
Surplus Assets	-	10	-	10
Sub-total	-	61,131	-	61,131
Residential (market rental) properties	-	-	-	-
Office Units	-	1,292	-	1,292
Commercial Units	-	59,839	-	59,839
Totals	-	61,131	-	61,131

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels 1 and 2 during the year.

Valuation Techniques used to Determine Level 2 Fair Values for Investment Properties:

Significant Observable Inputs – Level 2

The fair value for the commercial properties (let at market rents) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Highest and Best Use of Investment Properties

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Valuation Process for Investment Properties and Surplus Assets

The fair value of the Council's investment properties and surplus assets is measured annually at each reporting date. All valuations are carried out externally by qualified valuers, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Castle Quay Valuation

In 2020/21 there has been a downward movement in the valuation of the Castle Quay shopping centre of £13.1m, the valuation at 31 March 2021 being £21.6m (2020: £33.0m). The main factor behind this further substantial reduction in the value of this property is as a direct result of the impacts of the Covid-19 pandemic and the measures taken to combat it which have severely impacted on current and potentially on future revenue streams.

The valuation of this property has been undertaken independently and takes into account not only the specific financial returns within the centre but also market sentiment which at a national level is pessimistic.

It should be noted that the Council is not anticipating selling the shopping centre and, therefore, at this stage valuation of the asset, whilst important, does not have a direct financial impact on the Council. The centre was bought to ensure that a valuable town centre asset was protected for our residents and only secondarily as an investment, with revenue income returned to the Council to cover running costs as well as provide a financial return. The decision to purchase also ensured that the plans for the adjacent site that will be developed into leisure units would be delivered as this had been stalled by the original owners. We regularly review tenant activity as well as ensure that we actively manage the existing asset to diversify the offer within the town centre. Market analysis shows that offering a broader, more experiential offer has a positive impact on the whole site.

The new Castle Quay Waterfront site, which includes a supermarket, hotel, cinema and food and beverage outlets is anticipated to attract visitors and improve the night-time economy offer which should provide an overall positive benefit and provide protection from the market conditions around retail risk. This will create greater value for the whole site in the medium to long term, but it was always highlighted that there may be some short-term impact on the value of the existing

site whilst that work was carried out. Works on this project are at an advanced stage and are estimated to be completed during the first half of the 2021/22 financial year.

In addition, during the previous year the Council embarked on a new venture within the existing retail site which includes food, beverage, community and education space within what was a vacant department store site-the Lock 29 project. The Council has entered into a partnership with Happerley, a new venture which embraces and encourages the UK Food industry to validate provenance of food. They have chosen Banbury and specifically Lock 29 in Castle Quay as the national centre of food and drink provenance in England which is a major boost for the centre.

Rental income is still being received from the site and this is not impacted by the valuation. We have also been actively engaging in activity to ensure that the existing shopping centre is well used, well managed and diversifying the offer that we have on-site to ensure that the centre remains a vibrant and attractive place for the town centre. All of this will help ensure that the site remains viable and sustainable and ensure that the value of the site is maximised. We have very few vacant units within the centre and we actively manage the space.

We have an advisory group made up of Members and Officers who consider the way in which this site as well as the new Castle Quay site is managed and to explore how to ensure the Centre is both commercially successful as well as contribute to the council's wider objectives.

Note 16 – Intangible Assets

An **intangible asset** is an **asset** that is not physical in nature. Goodwill, brand recognition and intellectual property, such as patents, trademarks, and copyrights, are all **intangible assets**.

31-Mar-20	Intangible Assets	31-Mar-21
£000		£000
	Balance at Start of Year:	
5,682	Gross Carrying Amount	6,453
(4,712)	Accumulated Amortisation & Impairment	(4,949)
970	Net Carrying Amount	1,504
771	Additions	1,146
(237)	Amortisation for the Period	(367)
1,504	Net Carrying Amount at End of Year	2,282
	Comprising:	
6,453	Gross Carrying Amount	7,599
(4,949)	Accumulated Amortisation & Impairment	(5,317)
1,504		2,282

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include both purchased licenses and internally generated software. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are:

Useful Life (Years)	Internally Generated Assets	Other Assets
1 Years	None	Software and Licences
3 Years	None	Software and Licences
4 Years	None	Software and Licences
5 Years	None	Software and Licences

Note 17 – Financial Instruments

Balance Sheet items

The Council is obliged to analyse any Financial Instruments that it holds (whether liabilities such as borrowings or assets such as investments) into certain categories.

The Investments and Debtors disclosed in the Balance Sheet, as set out below (adjusted to exclude statutory debtors), are all categorised as Loans and Receivables, and are carried in the Balance Sheet at amortised cost.

Financial Instruments – Liabilities

31-Mar-20		Financial Instruments - Liabilities	31-Mar-21	
Short Term	Long Term		Short Term	Long Term
£'000	£'000	Financial Liabilities	£'000	£'000
		Loans at amortised cost:		
(66,000)	(75,000)	- Principal sum borrowed	(82,000)	(102,000)
(507)	-	- Accrued interest	(584)	-
(66,507)	(75,000)	Total Borrowing	(82,584)	(102,000)
		Liabilities at amortised cost:		
-	(1,576)	- Finance leases	-	(1,570)
0	(1,576)	Total Other Long-term Liabilities	0	(1,570)
		Liabilities at amortised cost:		
(9,692)	-	- Trade payables	(11,674)	-
(9,692)	0	Included in Creditors	(11,674)	0
(76,199)	(76,756)	Total Financial Liabilities	(94,258)	(103,570)

The total short-term borrowing includes £400k (2020: £324k) accrued interest due within 12 months on long-term borrowing.

The creditors lines on the Balance Sheet include £40,675k (2020: £14,073k) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

Financial Instruments – Assets

31-Mar-20		Financial Instruments - Assets		31-Mar-21	
Short Term	Long Term			Short Term	Long Term
£'000	£'000	Financial Assets		£'000	£'000
		At amortised cost:			
17,000	-	- Principal		31,000	-
48	-	- Accrued interest		28	-
		At fair value through profit & loss:			
-	29,053	- Fair value		-	33,053
17,048	29,053	Total Investments		31,028	33,053
		At amortised cost:			
844	-	- Principal		239	-
		At fair value through profit & loss:			
3,964	-	- Fair value		7,511	-
3	-	- Accrued interest		0	-
4,811	0	Total Cash and Cash Equivalents		7,750	0
		At amortised cost:			
3,674	-	- Trade receivables		5,667	-
4,000	45,855	- Loans made for service purposes		-	61,100
24	8,691	- Accrued interest		-	105
-	(778)	- Loss allowance		-	(1,111)
7,698	53,768	Included in Debtors		5,667	60,094
29,557	82,821	Total Financial Assets		44,445	93,147

The debtors lines on the Balance Sheet include £36,262k (2020: £12,622k) short-term and £232k (2020: £855k) long-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those instruments that have been offset on the balance sheet.

31-Mar-20 £'000	Offsetting Financial Assets & Liabilities	31-Mar-21 £'000
1	Bank accounts in credit	243
(158)	Bank overdrafts	(51)
(157)	Net position of offset accounts	192
1001	Other bank accounts	47
844	Net position on balance sheet	239

Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	Financial Liabilities		Financial Assets		2020/21 Total	2019/20 Total
	Amortised Cost	Fair Value through Profit & Loss	Amortised Cost	Fair Value through Profit & Loss		
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	2,429	-	-	-	2,429	2,034
Fees paid	102	-	-	-	102	37
Interest payable and similar charges	2,531	0	0	0	2,531	2,071
Interest income	-	-	(4,368)	(6)	(4,374)	(4,080)
Fees	-	-	0	0	0	(220)
Interest and investment income	0	0	(4,368)	(6)	(4,374)	(4,300)
Net impact on (surplus)/deficit on provision of services	2,531	0	(4,368)	(6)	(1,843)	(2,229)
Net (Gain)/Loss for the Year	2,531	0	(4,368)	(6)	(1,843)	(2,229)

Financial Instruments - Fair Value – Liabilities

Balance Sheet	Fair Value			Balance Sheet	Fair Value
31-Mar-20	31-Mar-20			31-Mar-21	31-Mar-21
£'000	£'000		Fair value Level	£'000	£'000
<i>Financial liabilities held at amortised cost:</i>					
(75,000)	(75,708)	Long-term loans	2	(102,000)	(103,712)
(66,507)	(66,344)	Short-term loans	2	(82,584)	(82,362)
(1,576)	(3,938)	Lease payables and PFI liabilities	2	(1,570)	(4,253)
(143,083)	(145,990)	TOTAL		(186,154)	(190,327)
(31,226)		Liabilities for which fair value is not disclosed		(61,378)	
(174,309)		Total Financial Liabilities		(247,532)	
Recorded on balance sheet as:					
(24,185)		Short-term creditors		(52,349)	
(66,507)		Short-term borrowing		(82,584)	
(1,431)		Short-term provisions		(5,206)	
(1,576)		Long-term creditors		(1,570)	
(75,000)		Long-term borrowing		(102,000)	
(5,610)		Long-term provisions		(3,823)	
(174,309)		Total Financial Liabilities		(247,532)	

The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is lower than the current rates available for similar loans as at the Balance Sheet date.

Financial Instruments - Fair Value – Assets

Balance Sheet	Fair Value			Balance Sheet	Fair Value
31-Mar-20	31-Mar-20			31-Mar-21	31-Mar-21
£'000	£'000		Fair Value Level	£'000	£'000
Financial assets held at fair value:					
3,967	3,967	Money market funds	1	7,511	7,511
29,053	29,053	Shares in unlisted companies	3	33,053	33,053
Financial assets held at amortised cost:					
17,892	17,921	Bank deposits & repos	2	31,267	31,274
57,792	57,792	Loans to companies	3	60,094	60,094
108,704	108,733	Total		131,925	131,932
17,151		Assets for which fair value is not disclosed		42,161	
125,855		Total Financial Assets		174,086	
Recorded on balance sheet as:					
54,623		Long-term debtors		60,326	
29,053		Long-term investments		33,053	
20,320		Short-term debtors		41,929	
17,048		Short-term investments		31,028	
4,811		Cash and cash equivalents		7,750	
125,855		Total Financial Assets		174,086	

The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised cost is lower than their balance sheet carrying amount because the interest rate on similar investments is now higher than that obtained when the investment was originally made.

Note 17.1 - Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Credit Risk: Investments

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government and other local authorities. The TMS also restricts lending to a prudent maximum amount for each institution.

The table below summarises the credit risk exposures of the Council's investment portfolio:

Long Term Credit Rating		
31-Mar-20	(Fitch)	31-Mar-21
£'000		£'000
0	AA	0
17,048	AA-	31,028
0	A+	0
17,048		31,028

Credit risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money.

Credit Risk: Debtors

The Council generally allows 30 days credit for its trade debtors. Outstanding debt overdue for payment can be analysed by age as follows:

31-Mar-20	Credit Risk: Debtors	31-Mar-21
£'000	Duration outstanding	£'000
2,522	One months	2,901
68	Two months	60
40	Three months	130
1,050	More than three months	2,576
3,680		5,667

Credit Risk: Loan Commitments and Financial Guarantees

In furtherance of the Council's service objectives, it has committed to lend money to the following organisations, should it be requested to do so:

	Total facility	Balance 31 March 2020
Graven Hill Village Development Co Ltd	£73.6m	£48.8m

The Council has also provided a financial guarantee of £3.73m in respect of a deposit paid to and held by Graven Hill for the sale of land. This guarantee is payable if the sale falls through and Graven Hill are unable to return the deposit to the purchaser. It will expire on either the completion of the sale or the return of the deposit

Liquidity Risk

The Council manages its liquidity position through the risk management processes set out in its annual Treasury Management Strategy and Prudential Indicators, as well as through the active management of the cash flow position. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board, other local authorities, and at higher rates from banks and building societies to cover any short-term cash flow need. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient funds are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments.

The maturity analysis of current loans is as follows (principal amounts only shown i.e. excluding accrued interest):

31-Mar-20	Liquidity Risk	31-Mar-21
£'000	Time to maturity	£'000
(66,183)	Less than 1 year	(82,184)
0	1 – 2 years	(27,063)
(21,160)	2 – 5 years	(27,174)
(28,075)	5-10 years	(28,077)
(21,047)	10-20 years	(15,044)
(5,042)	20-30 years	(5,042)
(141,507)		(184,584)

Market Risk: Interest Rates

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments.

At times of low interest rates, the Council will only be able to obtain low percentages of return on its investments at fixed rates in any new investments placed. Other than short term funds held for liquidity purpose e.g. money market funds and call accounts, the Council currently does not have any investments at variable rates.

Although the council is currently able to borrow at low interest rates, it is exposed to the risk that it may need to refinance some of its borrowing at higher interest rates in the future.

The Council has a number of strategies for managing interest rate risks. The Treasury Management team, in consultation with its advisors, has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the forecasted out-turn during the year. This allows for any adverse changes to be accommodated.

Market Risk – Other:

Price Risk - The Council holds shares in Graven Hill Village Holdings Ltd and Crown House Banbury Ltd, but these are not listed and are valued at cost price. The Council therefore has no exposure to loss arising from movement in the prices of shares.

Foreign Exchange Risk - The Council has no financial assets or liabilities denominated in foreign currencies and as a result has no exposure to loss arising from movements in exchange rates.

Note 18 – Inventories

The table below provides details on the level of inventories balances set out in the Balance sheet.

31-Mar-20	Inventories	31-Mar-20
£'000		£'000
220	Balance outstanding at start of year	187
595	Purchases	673
(628)	Recognised as an expense in the year	(636)
187	Balance at Year End	224

Note 19a – Short Term Debtors

An analysis of the debtor's balance is shown below

31-Mar-20	Short Tern Debtors	31-Mar-21
£000		£000
3,674	Trade Receivables	5,667
545	Pre-Payments	472
16,102	Other Receivable Amounts	35,790
20,320	Total Debtors	41,929

Note 19b Short Term Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non- domestic rates) can be analysed by age as follows;

31-Mar-20	Short Tern Debtors for Local Taxation	31-Mar-21
£'000		£'000
0	Less than three months	0
0	Three to six months	0
676	Six months to one year	743
674	More than one year	803
1,350	Total Debtors	1,546

Note 20 – Cash and Cash Equivalents

Cash and cash equivalents include cash at bank, short-term bank deposits and money market investments of three months or less from the start of the investment.

The balance of Cash and Cash Equivalents is made up of the following elements:

31-Mar-20	Cash and Cash Equivalents	31-Mar-21
£'000		£'000
844	Bank Balances/(Overdraft)	239
3,967	Short Term Investments	7,511
4,811	Total Cash and Cash Equivalents	7,750

Note 21– Assets Held for Sale

31-Mar-20	Assets held for Sale	31-Mar-21
£'000		£'000
0	Balance at start of year	0
	Assets Sold:	
	Property Plant and Equipment	0
0	Balance at year end	0

Note 22 – Short Term Creditors

The table below provides detail on the level of creditors balances set out in the Balance Sheet.

31-Mar-20	Short Term Creditors	31-Mar-21
£000		£000
(9,692)	Trade Payables	(11,674)
(14,493)	Other Payable Amounts	(40,675)
(24,185)	Total Creditors	(52,349)

Note 23 – Provisions

The main provisions during 2020/21 are for NNDR appeals following the change in accounting arrangements for the collection fund from 1 April 2013. As a result of implementing the changes to the business rates legislation, the council is required to set up a provision for the potential cost of successful appeals with the Valuation Office.

Current Provisions

31-Mar-21	Health Walks Training Provision	Graven Hill Deposit Guarantee	NNDR Appeals Provision	Total
	£'000	£'000	£'000	£'000
Opening Balance	(4)	0	(1,428)	(1,432)
Increase in provision during year	0	(37)	(4,071)	(3,775)
Utilised during the year	0	0	334	0
Closing Balance	(4)	(37)	(5,165)	(5,206)
31-Mar-20	Health Walks Training Provision	Graven Hill Deposit Guarantee	NNDR Appeals Provision	Total
	£'000		£'000	£'000
Opening Balance	(4)	0	(1,464)	(1,468)
Increase in provision during year	0	0	(38)	(38)
Utilised during the year	0	0	74	74
Closing Balance	(4)	0	(1,428)	(1,431)

Long Term Provisions

31-Mar-21	NNDR Appeals	Landlord Rent Guarantee	Landlord Rent Ex-Charter	Banbury Bowls Club	58 Bridge Street - Repair & Renewals	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance	(5,360)	(102)	(18)	(47)	(83)	(5,610)
Increase in provision during year	1,791	0	0	0	(10)	1,781
Utilised during year	0	6	0	0	0	0
Closing Balance	(3,569)	(96)	(18)	(47)	(93)	(3,823)
31-Mar-20	NNDR Appeals	Landlord Rent Guarantee	Landlord Rent Ex-Charter	Banbury Bowls Club	58 Bridge Street - Repair & Renewals	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance	(3,470)	(109)	(18)	(47)	(73)	(3,717)
Increase in provision during year	(2,160)	(9)	0	0	(10)	(2,179)
Utilised during year	270	16	0	0	0	286
Closing Balance	(5,360)	(102)	(18)	(47)	(83)	(5,610)

Total Provisions

31-Mar-20	Provisions Summary	31-Mar-21
£'000		£'000
(5,184)	Opening Balance	(7,041)
(2,217)	Increase in provision during year	(1,995)
360	Utilised during year	6
(7,041)	Closing Balance	(9,030)

Note 24 – Usable Reserves

The Council has a number of usable reserves in the balance sheet, those that can be applied to fund future expenditure or reduce local taxation. The purpose of each useable reserve is detailed in the table below or cross referenced to supporting notes.

31-Mar-20	Useable Reserves Summary	31-Mar-21
£'000		£'000
(2,018)	General Fund	(5,087)
(26,380)	Earmarked Reserves	(52,883)
0	Capital Receipts Reserve	(80)
(165)	Capital Grants Unapplied Reserve	(676)
(28,564)	Total	(58,727)

General Fund Reserve

This reserve is held to mitigate the financial risks facing the Council. The prudent level of general fund reserves to be held are set annually as part of the Council's budget report.

31-Mar-20	General Fund Reserve	31-Mar-21
£'000		£'000
(1,254)	Balance 1 April	(2,018)
(764)	Transfers to general reserves	(3,069)
0	Use of general reserves in year	0
(2,018)	Balance at year end	(5,087)

Earmarked Reserves

These are reserves that have been set aside for specific purposes. This could be for a particular project; for example, a ringfenced grant on which there remains an unspent balance at the year end or amounts which have been set aside for future use. They are analysed in detail in Note 9.

The large increase in 2020-21 relates primarily to Business Rates Section 31 grants which were received in 2020-21 but which will be used to finance the Business Rates Collection Fund deficit in 2021/22.

31-Mar-20	Earmarked Reserves	31-Mar-21
£'000		£'000
(20,365)	Balance 1 April	(26,380)
(9,466)	Transfers to reserves	(35,797)
3,451	Use of reserves in year	9,294
(26,380)	Balance at year end	(52,883)

Capital Receipts Reserve

These are capital receipts which have been received during the year and which have then been used to finance capital expenditure. The remaining balance is available for future capital financing.

31-Mar-20	Capital Receipts Reserve	31-Mar-21
£'000		£'000
0	Balance 1 April	0
(5,272)	Capital Receipts in year	(1,883)
5,272	Capital Receipts used for financing	1,803
0	Balance at year end	(80)

Capital Grants Unapplied

These are capital receipts which have been recognised in the Comprehensive Income and Expenditure Statement which are available for future capital financing.

31-Mar-20	Capital Grants Unapplied	31-Mar-21
£'000		£'000
(145)	Balance 1 April	(165)
(1,118)	Capital grants recognised in year	(511)
1,098	Capital grants and contributions applied	0
(165)	Balance year end	(676)

Note 25 - Unusable Reserves

The Council has several unusable reserves in the balance sheet, those that cannot be applied to fund future expenditure or reduce local taxation. They are required to be held for statutory reasons and are needed to comply with proper accounting practice.

The unusable reserves held by the Council are detailed in the below. The purpose of each usable reserve is cross referenced to supporting notes.

31-Mar-20 (restated)	Unusable Reserves Summary	31-Mar-21
£'000		£'000
(37,599)	Revaluation Reserve	(34,385)
(54,352)	Capital Adjustment Account	(31,081)
72,770	Pension Reserve	95,654
(740)	Deferred Capital Receipts Reserve	(475)
(2,045)	Collection Fund Adjustment Account	23,731
204	Accumulated Absences Account	207
(21,761)	Total	53,650

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

31-Mar-20 (restated)	Revaluation Reserve	31-Mar-21
£'000		£'000
	Opening Balance	
(29,757)	As previously reported	(35,496)
	Prior year adjustment	(2,104)
(29,757)	Opening balance as restated	(37,599)
(11,149)	Upward revaluation of assets	(2,455)
4,206	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	4,493
(6,943)	Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services	(2,039)
472	Difference between fair value depreciation and historical cost depreciation	705
732	Accumulated gains on assets sold or scrapped	470
1,204	Amount written off to the Capital Adjustment Account	1,175
(35,496)	Closing Balance	(34,385)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 13 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

The movements on the Capital Adjustment Account for the year are:

31-Mar-20	Capital Adjustment Account	31-Mar-21
£'000		£'000
	Opening balance	
(71,990)	As previously reported	(51,082)
	Prior year adjustment	(3,270)
(71,990)	Opening balance as restated	(54,352)
2,726	Charges for depreciation and impairment of non-current assets	3,096
9,685	Revaluation losses on non-current assets	4,721
237	Amortisation of intangible assets	367
2,177	Revenue expenditure funded from capital under statute	12,865
2,359	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,042
17,184	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	23,091
(1,204)	Adjusting Amounts written out of the Revaluation Reserve	(1,175)
15,980	Net written out amount of the cost of non-current assets consumed in the year	21,916
(4,039)	Use of Capital Receipts Reserve to finance new capital expenditure	(2,068)
(3,425)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(12,545)
(1,630)	Statutory provision for the financing of capital investment charged against the General Fund	(2,153)
0	Increase in expected credit losses provision for long-term loans receivable	333
(9,094)	Capital financing applied in year:	(16,433)
14,021	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	17,787
(51,082)	Balance 31 March	(31,081)

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31-Mar-20	Pension Reserve	31-Mar-21
£'000		£'000
98,100	Balance 1 April	72,770
(31,312)	Remeasurements of the net defined benefit (liability)/asset	23,517
8,532	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	7,178
(2,550)	Employer's pensions contributions and direct payments to pensioners payable in the year	(7,811)
72,770	Balance 31 March	95,654

Note 26 - Trading Operations

The authority established 3 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Details of those units are as follows;

31-Mar-20	Building Control	31-Mar-21
£'000		£'000
(440)	Income	(337)
395	Expenditure	77
(45)	Net (Surplus) / Deficit for Year	(260)

31-Mar-20	Corporate Properties & Industrial Estates	31-Mar-21
£'000		£'000
(3,804)	Income	(5,360)
14,640	Expenditure	18,582
10,836	Net (Surplus) / Deficit for Year	13,222

31-Mar-20	Markets	31-Mar-21
£'000		£'000
(80)	Income	(52)
70	Expenditure	77
(10)	Net (Surplus) / Deficit for Year	25

31-Mar-20	Trading Operations Total Income and Expenditure:	31-Mar-21
£'000		£'000
(4,324)	Income	(5,749)
15,105	Expenditure	18,859
10,781	Net (Surplus) / Deficit for Year	13,110

31-Mar-20	Analysis of Inclusion in The Comprehensive Income and Expenditure Statement:	31-Mar-21
£'000		£'000
10,781	Net surplus on trading operations	13,110
0	Services to the public included in Expenditure of Continuing Operations	0
0	Support services recharged to Expenditure of Continuing Operations	0
10,781	Net surplus / deficit included in Financing and Investment Income and Expenditure	13,110

Note 27 - Agency Services

The Agency Services provides provisions to local councils for landscaping and ground maintenance. This is recharged to the town and Parish Councils.

31-Mar-20	Bicester Town Council	31-Mar-21
£'000		£'000
(353)	Income	(348)
337	Expenditure	330
(16)	Net (Surplus)/Deficit on the Agency Arrangement	(18)
31-Mar-20	Oxfordshire County Council	31-Mar-21
£'000		£'000
(150)	Income	(150)
211	Expenditure	213
61	Net (Surplus)/Deficit on the Agency Arrangement	73
31-Mar-20	Kidlington Parish Council	31-Mar-21
£'000		£'000
(136)	Income	(147)
133	Expenditure	143
(3)	Net (Surplus)/Deficit on the Agency Arrangement	(4)
31-Mar-20	South Northants Council	31-Mar-21
£'000		£'000
(76)	Income	(78)
77	Expenditure	78
1	Net (Surplus)/Deficit on the Agency Arrangement	0
31-Mar-20	Brackley Town Council	31-Mar-21
£'000		£'000
(59)	Income	(68)
61	Expenditure	69
2	Net (Surplus)/Deficit on the Agency Arrangement	1

Note 28 - Members' Allowances

The total of Members' Allowances paid in the year 2020/21 amounted to £316k. This compares to £317k in 2019/20. A detailed list of allowances paid to each member is available for examination on the Council's website under "Councillors – Members' Allowances"

The Local Councils (Members' Allowances) Regulations 2003 requires local Councils to publish the amounts paid to members under the members' allowances scheme. The allowances available in 2020/21 were as follows:

31-Mar-20		31-Mar-21	
£'000		£'000	
307	Allowances	315	
10	Expenses	1	
317	Total Members' Allowances	316	

Note 29 - Officers' Remuneration

The Council is required, under regulation 7(2) of the Accounts and Audit Regulations 2003, to include in the notes to the accounts the number of employees in the accounting period whose remuneration was in excess of £50,000 excluding pension contributions. This does not include senior staff all accounted for in the table on the following page where they are employees of Cherwell District Council. Senior staff employed by South Northamptonshire Council are not included in the table below;

31-Mar-20	Officers' Remuneration	31-Mar-21
Number of employees	Remuneration Band	Number of employees
13	£50,001 to £55,000	28
1	£55,001 to £60,000	15
2	£60,001 to £65,000	6
1	£65,001 to £70,000	1
17		50

Note 29 Continued... The Remuneration paid to senior employees in Cherwell District Council 2020/21 is as follows:

Post Title	Salary (Including Fees & Allowances)	Expense Allowances and Other Emoluments	Compensations for Loss of Employment	Total Remuneration Excluding Pension Contribution	Pension Contribution	Total Remuneration including pension contribution	Contribution to Oxfordshire County Council (excluding NI)	Cost to Cherwell District Council (excluding NI)	Date in post 2020/21
Chief Executive**	77,965	2,311	0	80,276	12,396	92,673	0	92,673	
Corporate Director of Customers, Organisational Development and Resources**	39,650	0	0	39,650	6,304	45,955	0	45,955	
Corporate Director of Place and Growth**	34,947	177	0	35,124	5,524	40,648	0	40,648	Until 31 Dec 2020
Assistant Director of Housing and Social Care Commissioning**	42,667	642	0	43,309	6,784	50,094	0	50,094	
Director of HR**	20,467	245	0	20,712	3,254	23,966	0	23,966	
Director of Customers and Cultural Services**	10,234	5,525	0	15,759	1,627	17,386	0	17,386	
Assistant Director of Healthy Place Shaping	20,000	0	0	20,000		20,000	0	20,000	Until 31 Dec 2020
Programme Director: Growth and Commercial	59,658	0	0	59,658	9,486	69,144	0	69,144	
Assistant Director: Property, investment, Contract Management	78,680	905	0	79,585	12,510	92,095	0	92,095	
Assistant Director: Environmental Services	82,052	0	0	82,052	13,046	95,098	0	95,098	
Assistant Director: Growth and Economy	78,680	189	0	78,869	12,510	91,379	0	91,379	
Assistant Director: Planning and Development	78,680	344	0	79,023	12,510	91,533	0	91,533	
Assistant Director: Wellbeing	70,812	0	0	70,812	11,259	82,071	0	82,071	

Table continued on next page...

Note 29 Continued...

Post Title	Salary (Including Fees & Allowances)	Expense Allowances and Other Emoluments	Compensations for Loss of Employment	Total Remuneration Excluding Pension Contribution	Pension Contribution	Total Remuneration including pension contribution	Contribution to Oxfordshire County Council (excluding NI)	Cost to Cherwell District Council (excluding NI)	Date in post 2020/21
Assistant Director: Finance	58,597			58,597	9,317	67,915		67,915	From Jun 2020
Corporate Director - Commercial Development, Assets and Investments*							53,922	53,922	
Corporate Director - Adult Social Care & Housing*							16,043	16,043	
Corporate Director of Public Health*							14,366	14,366	
Director of Finance*							47,147	47,147	
Head of Legal and Deputy Monitoring Officer*							25,414	25,414	From Jun 2020
Director - IT, Digital and Transformation*							28,036	28,036	
Director of Law and Governance (new post)*							7,029	7,029	From Jan 2021
Head of Procurement & Contract Management*							28,749	28,749	
Assistant Director of Healthy Place Shaping*							7,984	7,984	
Licensing Manager*							7,983	7,983	6 months
Director of Strategy Insight and Communications*							24,075	24,075	
Assistant Director of Regulatory Services*							68,258	68,258	
Total	753,088	10,339	0	763,427	116,528	879,956	328,915	1,208,870	

Note 29 Continued...

The remuneration paid to senior employees in Cherwell District Council for 2019/20 is as follows:

Post Title	Salary (Including Fees & Allowances)	Expense Allowances and Other Emoluments	Compensations for Loss of Employment	Total Remuneration Excluding Pension Contribution	Pension Contribution	Total Remuneration Including Pension	Contribution to	Cost to Cherwell District Council	Date in post 2019/20
Corporate Director of Customers and Organisational Development**	£17,911	£421	-	£18,333	£18,616	£32,045		£32,045	
Assistant Director - Planning & Development	£67,103	£444	-	£67,547	£9,905	£77,452		£77,452	
Assistant Director of Environmental Services	£79,856	£2,106	-	£81,961	£11,898	£93,860		£93,860	
Assistant Director of Housing and Social Care Commissioning	£30,166	£3,665	-	£33,831	£11,898	£45,729		£45,729	
Chief Operating Officer	£89,180	£2,044	-	£91,224	£13,017	£104,241		£104,241	Left 31 Jan 2020
Director of HR**	£7,968	£125	-	£8,093	£14,344	£12,449		£12,449	
<i>Assistant Director - Performance & Transformation</i>	£45,847	£748	-	£46,595	£6,449	£53,044		£53,044	
Assistant Director - Performance & Transformation	£57,594	£183	-	£57,777	£8,484	£66,261		£66,261	Left 31 Dec 2019
Director of Customers and Cultural Services**	- £71	-	-	- £71	£598	£103		£103	From 17 Mar 2020
Assistant Director of Wellbeing	£67,823	£1,074	-	£68,897	£10,106	£79,003		£79,003	
Corporate Director of Place and Growth**	£6,781	-	-	£6,781	£5,162	£8,706		£8,706	From 7 Jan 2020

Table continued on next page

Post Title	Salary (Including Fees & Allowances)	Expense Allowances and Other Emoluments	Compensations for Loss of Employment	Total Remuneration Excluding Pension Contribution	Pension Contribution	Total Remuneration Including Pension Contribution	Contribution to Oxfordshire County Council	Cost to Cherwell District Council	Date in post 2019/20
Assistant Director of Property Investment and Contract Management	£76,206	£4,258	-	£80,464	£11,246	£91,710		£91,710	
Assistant Director of Growth and Economy	£75,780	£2,505	-	£78,285	£11,246	£89,531		£89,531	
Joint Chief Executive - Yvonne Rees**	£73,859	£486	-	£74,346	£28,989	£85,937		£85,937	
Corporate Director of Communities*	-	-	-	-	-	-	£14,278	£14,278	Sep 2019 only
Director of Finance S151*	-	-	-	-	-	-	£5,328	£5,328	From 26 Feb 2020
Corporate Director Commercial Development Assets & Investments*	-	-	-	-	-	-	£2,268	£2,268	From 16 Mar 2020
Director of Law & Governance*	-	-	-	-	-	-	£30,888	£30,888	
Director of Digital & IT*	-	-	-	-	-	-	£5,609	£5,609	From 6 Mar 2020
Head of Procurement & Contract Management*	-	-	-	-	-	-	£14,683	£14,683	From July 2019
Total	£696,002	£18,059	-	£714,063	£161,958	£840,071	£73,054	£913,125	

Cherwell District Council has several joint posts under the Partnership Agreement with Oxfordshire County Council:

*Denotes Staff employed by Oxfordshire County Council and the District Council is charged a share of salary costs

**Denotes Staff employed by Cherwell District Council and a charge is made to Oxfordshire County Council for a share of the salary costs:

Note 30 - External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors.

31-Mar-20	31-Mar-21
£'000s	£'000s
61 Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	141
0 Fees payable to the Audit Commission for the certification of grant claims and returns	0
61 Total	141

Note 31 – Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21;

Grant Income Credited to Taxation and non-specific Grant Income and Expenditure

31-Mar-20	Grant Income Credited to Taxation	31-Mar-21
£'000		£'000
(114)	Revenue Support Grant	(116)
(13,782)	Non-Domestic Rates (incl. Section 31 grant)	(7,353)
(5,087)	New Homes Bonus	(5,836)
0	Covid grants	(3,679)
0	Council Tax income guarantee grant	(79)
(1,093)	Disabled Facilities Grant	(1,240)
(2,353)	Other Capital Grants and Contributions	(11,816)
(22,428)	Total	(30,119)

Grant Income Credited to Services

31-Mar-20	Grant Income Credited to Services	31-Mar-21
£'000		£'000
(26,024)	Rent Allowances Subsidy Grant	(24,560)
(291)	Housing Benefit Administration Subsidy Grant	(304)
(51)	Family Annex Council Tax Discount Grant	(55)
(18)	Individual Election Registration	(14)
(112)	LCTS Administration Subsidy Grant	(111)
(231)	NDR Cost of Collection Grant	(232)
(192)	Flexible Homeless Support Grant	(629)
(157)	Rough Sleeper Initiative	(228)
(255)	Developer contributions (S106)	(607)
(165)	New Burdens	(303)
(250)	Discretionary Housing Payments	(329)
(1,274)	Other Grants & Contributions	(459)
(1,948)	Contributions from other Local Authorities	(2,753)
(204)	Bicester Healthy New Towns	(48)
(365)	Home Office – Refugees	(433)
(1,090)	Homes England - Garden Town Funding	(125)
0	Neighbourhood Planning	(20)
0	Covid-19 related grants	(7,451)
(32,627)	Total	(38,752)

The Council has received several grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that could require the monies or property to be returned to the giver if the conditions are not met. The balances at the year-end are as follows:

Grants Receipts in Advance (Revenue Grants) - Current Liabilities

31-Mar-20		31-Mar-21
£'000		£'000
(175)	Section 106 developer contributions	(134)
0	COVID Grant - Closed Business Lockdown Payment Grant	(3,314)
0	COVID Grant - Christmas Support	(25)
0	COVID Grant - LRSG Closed	(958)
0	COVID Grant - LRSG Closed Addendum	(3,865)
0	COVID Grant - Test & Trace	(106)
0	COVID Grant - Small Business Grant	(10)
(985)	Other Grants and contributions	(201)
(1,160)	Total	(8,612)

Grants Receipts in Advance (Capital Grants) - Current Liabilities

31-Mar-20		31-Mar-21
£'000		£'000
(613)	Section 106 developer contributions	(777)
(613)	Total	(777)

Grants Receipts in Advance (Revenue Grants) - Long Term Liabilities

31-Mar-20		31-Mar-21
£'000		£'000
(4,511)	Section 106 Developer Contributions - Capital	(4,169)
(5)	Community Build Banbury	(5)
(4,516)	Total	(4,174)

Grants Receipts in Advance (Capital Grants) - Long Term Liabilities

31-Mar-20		31-Mar-21
£'000		£'000
(7,420)	Section 106 Developer Contributions - Capital	(8,086)
(29)	Other Contributions	(6,301)
(4)	DECC GREEN DEAL	(4)
(8)	DEFRA Monitoring & Modelling	(8)
(4,250)	NW Bicester Bridge	(4,250)
(3,906)	Eco Town Grant	(3,906)
(2,946)	Garden Town Capacity Funding	1
(18,563)	Total	(22,555)

Note 32 - Related Parties

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has significant influence over the general operations of the Council including:

- Providing the statutory framework within which the Council operates,
- Providing funding in the form of grants

- Prescribing the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, non-domestic rates and housing benefits).

Local Government

Oxfordshire County Council

Shared Resource

Cherwell District Council shares a number of officers with Oxfordshire County Council under a joint working relationship. The senior officers working in a shared capacity as at 31st March 2021 were:

Shared Post	Officer Employed by
Assistant Director Housing & Social Care Commissioning	Cherwell District Council
Chief Executive Officer	Cherwell District Council
Corporate Director Customers & Organisational Development	Cherwell District Council
Corporate Executive Director Place and Growth	Cherwell District Council
Corporate Director Adult and Housing Services	Oxfordshire County Council
Corporate Director Children's Services	Oxfordshire County Council
Corporate Director Commercial Development, Assets and Investments	Oxfordshire County Council
Corporate Director Communities	Oxfordshire County Council
Corporate Director Cultural Services	Oxfordshire County Council
Corporate Director Environment and Place	Oxfordshire County Council
Corporate Director Public Health and Wellbeing	Oxfordshire County Council
Director of Community Safety and Chief Fire Officer	Oxfordshire County Council
Director of Finance S151	Oxfordshire County Council
Director of Law & Governance	Oxfordshire County Council

Other Public Bodies

Payments to other Public Bodies must be disclosed to provide assurance to readers of these statements that any material transaction between the organisation and those in a position to influence its decisions is properly accounted for.

- The Council collects and pays over precepts on behalf of Oxfordshire County Council, Thames Valley Police and Crime Commissioner and the Town and Parish Councils within the Council area. Precepts for the County Council and Police Authority are shown in the Collection Fund. Town and Parish precepts are shown in the Comprehensive Income and Expenditure Account.
- The Local Government Pension Scheme of which Cherwell DC is a member is administered by Oxfordshire County Council

Related Party Transaction Summary			
Declarations Made By	Details of Related Party	Transaction Values 2020 £m	Transaction Values 2021 £m
CDC Director Customers/Org Development Councillors x 3	CSN Resources Ltd - a jointly owned company with West Northamptonshire which acts as a collection agent for various council debtors - details of appointed directors are listed below	2.986	1.102
CDC Director of Human Resources CDC Asst Director Housing/Social Care Councillors x 2	Crown House Banbury Ltd - a wholly owned Council subsidiary for the purpose of management of rented council accommodation - details of appointed directors are listed below - transactions include intercompany loans	2	0.431
CDC Senior Project Manager Councillors x 2	Graven Hill Village Holdings Ltd - a wholly owned council subsidiary for the purpose of Eco developments in the district - details of appointed directors are listed below - transactions include intercompany loans and capital investments	13	5.797
1 Councillor re Family Member	Spouse worked at Spiceball Park Leisure Centre until January 2021 employed by Legacy Leisure; part of the Parkwood Leisure group who have a supplier and customer relationship with the council as they manage various leisure facilities in the area	0.38	0.46
1 Councillor re Family Member	Spouse was a director of Berwode Schools Trust until July 2019 - which relates to two local schools in Bicester	0.03	0
1 Councillor re Self	Also an elected member of Bicester Town Council who received S106 funding for the skate park in YE2020	0.064	0

Officers

- During 2020-21 Senior Officers of the Council made disclosures of £7.33m (2019/20 £17.986m) relating to their directorships of the Council's wholly owned and Joint owned companies as listed below. All transactions are fully compliant with the CIPFA Code and documented in the Group Accounts.
- There were no other material disclosures other than being a shared resource as noted above.

Members

Members of the Council have direct control over the Council's financial and operating policies.

- During 2020/21 payments for works and services to the value of £7.79m (2019/20 £18.477m) were made to parties where Members had declared an interest.
- The £7.79m is split with £7.33m transactions relating to their directorships with the Council's wholly owned and Joint owned companies as listed below. These transactions are fully documented in the Group Accounts. The remaining £0.460m relates to other transactions which have been fully investigated and appropriately recorded.
- Contracts were entered into in full compliance with the Council's Standing Orders.

All transactions are recorded in the Register of Members' Interests, open to public inspection at Bodicote House, Bodicote, Banbury, OX15 4AA.

Subsidiaries and Joint Operations

The following subsidiaries and joint operations are set out in a separate section at the end of these Statements. A number of Officers and Councillors are directors of these companies:

Graven Hill Village Holdings Ltd:	
Councillor Ian Corkin	Appointed Dec 2018
Councillor Dan Sames	Appointed Dec 2018
Graven Hill Village Development Company Ltd:	
Councillor Ian Corkin	Appointed Sep 2015
Councillor Dan Sames	Appointed Jul 2014

Crown House Banbury Ltd:	
Councillor Simon Holland	Appointed Oct 2017
CDC Official Ms Gillian Douglas	Appointed Mar 2019

Crown Apartments Banbury Ltd:	
Councillor Simon Holland	Appointed Jun 2018
CDC Official Ms Gillian Douglas	Appointed Feb 2019

CSN Resources Ltd:	
Councillor Jason Slaymaker	Appointed Dec 2017
Councillor Hugo Brown	Appointed Jun 2019
CDC Official Ms Claire Taylor	Appointed Apr 2017

CSN Associates Ltd:	
Councillor Jason Slaymaker	Appointed Jun 2018
Councillor Hugo Brown	Appointed Jun 2018
CDC Official Ms Claire Taylor	Appointed Apr 2017

Entities Controlled or Significantly Influenced by the Authority

During 2020/21 grant funding payments of £0.369m (2019/20 also £0.369m) were made to the Banbury Museum Trust. This represents a significant part of the funding for this organisation.

Note 33 – Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

Capital Expenditure and Capital Financing

Capital Expenditure and Capital Financing			
31-Mar-20		31-Mar-21	
£'000		£'000	
146,232	Opening Capital Financing Requirement		178,745
Capital Investment:			
19,004	Property Plant and Equipment		40,764
3,508	Investment Property		1,999
771	Intangible Assets		1,146
2,178	Revenue Expenditure Funded from Capital Under Statute		12,865
6,225	Long Term Investments		4,000
10,055	Long Term Debtors		5,703
41,742	Total Capital Spending		66,476
Sources of Finance:			
(4,039)	Capital receipts		(1,883)
(3,425)	Government Grants and other contributions		(13,056)
Sums set aside from revenue:			
0	- Direct revenue contributions		0
Debt Repayment:			
(1,765)	Minimum revenue Provision		(2,153)
(9,229)	Total Sources of Finance		(17,092)
178,745	Closing Capital Financing Requirement		228,128
Explanation of movements in year			
31-Mar-20		31-Mar-21	
£'000		£'000	
34,278	Increase in underlying need to borrow (unsupported by government financial assistance)		51,538
	Assets acquired under finance leases		
(1,765)	Statutory provision for repayment of debt (minimum Revenue Provision)		(2,153)
32,513	Increase/(decrease) in Capital Financing Requirement		49,384

Note 34 – Leases

34.1 Authority as Lessee - Finance Leases

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31-Mar-20		31-Mar-21
£'000		£'000
3,750	Other Land and Buildings	3,619
0	Vehicles, Plant, Furniture, Equipment and Other	0
3,750	Total	3,619

The minimum lease payments are made up of the following amounts:

31-Mar-20		31-Mar-21
£'000		£'000
Finance lease liabilities (net present value of minimum lease payments):		
6	- current	7
1,576	- non-current	1,570
0	Finance costs payable in future years	0
1,582	Minimum lease payments	1,577

The minimum lease payments will be payable over the following periods:

Minimum Lease payments		Finance Lease Liabilities		
31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21	
£'000	£'000	£'000	£'000	
6	7	Not later than one year	204	206
32	36	Later than one year and not later than five years	817	822
1,544	1,534	Later than five years	5,393	5,222
1,582	1,577	Total	6,414	6,250

34.2 Authority as Lessee - Operating Leases

The future minimum lease payments due under non-cancellable operating leases in future years are set out below:

31-Mar-20		31-Mar-21
£'000		£'000
27	Not later than one year	22
76	Later than one year and not later than five years	67
17	Later than five years	4
120	Total	93

The expenditure charged to services in the CIES during the year in relation to these leases was:

31-Mar-20		31-Mar-21
£'000		£'000
40	Minimum lease payments	61
40	Total	61

34.3 Authority as Lessor - Finance Leases

31-Mar-20		31-Mar-21
£'000		£'000
Finance lease debtor (net present value of minimum lease payments):		
0	- current	250
725	- non-current	225
0	Unearned finance income	0
0	Unguaranteed residual value of property	0
725	Gross investment in the lease	475

The gross investment in the lease and the minimum lease payments will be received over the following periods:

Gross Investment in the Lease			Minimum Lease Payments	
31-Mar-20	31-Mar-21		31-Mar-20	31-Mar-21
£'000	£'000		£'000	£'000
0	0	Not later than one year	0	250
0	0	Later than one year and not later than five years	0	225
725	475	Later than five years	725	0
725	475	Total	725	475

34.4 Authority as Lessor - Operating Leases

The future minimum lease payments receivable under non-cancellable leases in future years are:

31-Mar-20		31-Mar-21
£'000		£'000
5,118	Not later than one year	4,314
16,116	Later than one year and not later than five years	12,269
36,210	Later than five years	38,301
57,444	Total	54,884

Note 35 - Impairment Losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure.

During the year under review a number of assets have been professionally valued by external valuers as part of the Council's rolling five-year rolling programme of asset valuations. A review is also carried out by the Council to determine whether there are any indications of impairments or revaluation losses with regard to assets not subject to revaluations in the current year.

Part of the 2020-21 revaluations included a sample of car parks owned by the Council which reflected a significant reduction in value compared to the previous year due to reduced revenues, primarily due to the impact of Covid-19.

The reduced revenues relating to the car parks revalued in the year was indicative of all car parks owned by the Council. In view of this all of the remaining car parks owned by the Council have been revalued downwards based on estimates using the average percentage reduction in value relating to the professionally valued assets. The revaluation losses relating to the remaining car parks amounted to approximately £2.2m.

There are no other impairment losses or any impairment reversals in 2020/21.

Note 36 - Termination Benefits

The authority terminated the contracts of five employees which resulted in termination benefits in 2020/21. The Figure in the financial year of 2019/20 was £0.

[a] Exit package cost band (including special payments)	[b] Number of compulsory redundancies		[c] Number of other departures agreed		[d] total number of exit packages by cost band [(b) + ©]		[e] Total cost of exit packages in each band	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
£0-£20,000	3	0	2	0	5	0	£10,859	£0
£20,001-£100,000	0	0	0	0	0	0	£0	£0
£100,001-£140,000	0	0	0	0	0	0	£0	£0
Total	3	0	2	0	5	0	£10,859	£0

Note 37 - Defined Benefit Pension Scheme

37.1 Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Cherwell District Council pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of Oxfordshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, and structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

37.2 Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year;

31-Mar-20		31-Mar-21
£'000	Comprehensive (Income) & Expenditure Statement	£'000
Cost of Services:		
6,018	Current Service Cost	5,397
54	Past Service Cost/(Gain) – Including Curtailments	0
58	Administration Expense	77
Financing and Investment (Income) and Expenditure:		
2,402	Net Interest Expense	1,704
8,532	Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	7,178
Other Comprehensive (Income) & Expenditure:		
(9,113)	Return on Plan Assets (excluding amounts included in net interest expense)	22,366
7,918	Actuarial (Gains) & Losses Arising on Changes in Demographic Assumptions	(2,386)
20,165	Actuarial (Gains) & Losses Arising on Changes in Financial Assumptions	(45,266)
0	Experience (Gain)/loss on defined benefit obligation	0
12,342	Other actuarial (Gains) & Losses on assets	1,769
31,312	Post-Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	(23,517)
Movement in Reserves Statement		
(8,532)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post-employment Benefits in accordance with the Code	(7,178)
2,550	Employer's Contributions Payable to the Pension Scheme	7,811
(5,982)	Total	633

37.3 Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

31-Mar-20		31-Mar-21
£'000	Pension Assets & Liabilities Recognised in the Balance Sheet	£'000
(171,417)	Present value of the defined benefit obligation	(222,096)
101,891	Fair value of plan assets	129,944
(69,526)	Sub-total	(92,152)
(3,244)	Other movements in the liability	(3,502)
(72,770)	Net liability arising from defined benefit obligation	(95,654)

37.4 Assets and Liabilities in relation to Retirement Benefits

31-Mar-20		31-Mar-21
£'000		£'000
Reconciliation of Present Value of Scheme Liabilities		
(208,340)	Liabilities as of the Beginning of the Period	(174,661)
(6,076)	Current Service Cost	(5,474)
(5,031)	Interest Cost	(4,026)
(1,006)	Contributions by Scheme Participants	(1,060)
20,165	Change in financial assumptions	(45,266)
7,918	Change in demographic assumptions	(2,386)
12,342	Experience (Losses)/Gains on defined benefit obligation	1,769
0	Losses on Curtailments	0
5,421	Benefits Paid	5,506
(54)	Past Service Costs	0
(174,661)	Liabilities as of the End of the Period	(225,598)
Reconciliation of Fair Value of Scheme Assets		
110,240	Assets as of the Beginning of the Period	101,891
2,629	Interest on Assets	2,322
(9,113)	Return assets less interest	22,366
0	Actuarial Gains/(Losses)	0
0	Administration expenses	0
2,550	Employer Contributions	7,811
1,006	Contributions by Scheme Participants	1,060
(5,421)	Benefits Paid	(5,506)
101,891	Assets as of the End of the Period	129,944

Impact on the Council's cash Flow

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. The total liability of £226m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £96m (see Note 25: Pension Reserve).

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary,
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the authority in the year to 31 March 2022 is £2.452m.

The weighted average duration of the defined benefit obligation is 21 years.

Sensitivity Analysis

Funding levels are monitored on an annual basis, with the last triennial review and valuation completed at 31 March 2019. The fund liability may go up and down depending on assumptions applied.

Measurement of Pension Liability

The present value of the pension liability depends on a number of factors that are determined on an actuarial basis and the value of the underlying assets. The actual liability of the Council will continue to be subject to volatility, as a result of a number of factors.

The estimated effects of the changes in the key individual assumptions in determining the net pension liability would increase the Council's pension liability as of 31 March 2021 as follows:

31-Mar-20		31-Mar-21
£'000	Sensitivity analysis	£'000
15,945	0.5% decrease in the real discount rate	22,127
1,385	0.5% increase in the salary increase rate	1,832
14,449	0.5% increase in the pension increase rate	19,868
6,986	1-year increase in member life expectancy	9,024

The above table presents the changes in key assumptions in isolation. The information is only indicative of the estimated impact as the assumptions interact in complex ways.

37.5 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for Oxfordshire County Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary in the calculations are:

31-Mar-20		31-Mar-21
%	Principal Assumptions	%
2.8	Rate of inflation: RPI	3.3
1.9	Rate of inflation: CPI	2.85
1.9	Rate of increase in salaries	2.85
1.9	Rate of increase in pensions	2.85
2.3	Rate of discounting scheme liabilities	2.0

These assumptions are set with reference to market conditions as at 31 March 2021. The estimated duration of Employer's liabilities is 21 years.

The discount rate is the annualised yield at the 21-year point on the iBoxx AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 21 year point on the BoE market implied inflation curve.

Future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI. Salaries are assumed to increase by CPI only.

31-Mar-20		31-Mar-21
Years	Mortality Assumptions	Years
	Longevity at 65 for current pensioners	
22.2	Men	22.4
24.3	Women	24.7
	Longevity at 65 for future pensioners	
22.9	Men	23.4
25.6	Women	26.3

The following assumptions have been made:

- Members will elect to take 50% of their commutable pension for cash at retirement.
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age.
- Members opted-in to the 50:50 section at the previous valuation date will continue in this section.

The Local Government Pension Scheme's estimated asset allocation for Cherwell District Council consists of the following categories, by proportion of the total assets held:

31-Mar-20		31-Mar-21	
%	Estimated Asset Allocation	%	
0	Equity Securities	0	
12	Debt Securities	11	
4	Private Equity	4	
0	Real Estate	0	
81	Investment Funds and Unit Trusts	81	
0	Derivatives	0	
3	Cash & Cash Equivalents	4	
100	Total	100	

37.6 Other factors arising from recent court cases

- **Guaranteed Minimum Pension (GMP) Indexation**
The 2019 formal funding valuation included an allowance for full GMP equalisation / indexation within the LGPS. The rolled forward position to 31 March 2021 therefore includes this allowance.
The further ruling in respect of historical transfers is unlikely to be significant in terms of impact on the pension obligations of a typical Employer, and as a result no allowance has been made for this
- **McCloud** - An allowance was added to the 2019 valuation results, so the impact is continued to be included within the balance sheet at 31 March 2021
- **Goodwin** - Whilst there is still uncertainty surrounding the potential remedy to this judgement, the actuary has carried out some approximate analysis across their LGPS clients to understand the potential impact of implementing a solution to correct the past underpayment of spouses' benefits. The approximate impact of this is very small for a typical Fund (c. 0.1 - 0.2% of obligations), and therefore there are not sufficient grounds to apply an additional adjustment to account for this.

Note 38 - Contingent Liabilities

NHS Trust

Cherwell District Council is part of an on-going legal case involving other councils regarding NHS Trusts being treated as charitable organisations in terms of being eligible for 80% relief from business rates.

The High Court ruled in favour of the councils in December 2019. In February 2020 the group of NHS Trusts applied for permission to appeal the ruling.

A petition to the Court of Appeal was dropped on the 29th March with economic outflow no longer foreseeable.

Had the outcome of the litigation been in favour of the NHS Trusts, this would have meant a refund of business rates relating to previous years and an ongoing reduction in business rates from NHS Trust properties in Cherwell.

Oxfordshire County Council Bond

Cherwell District Council issued a Bond to Oxfordshire County Council in December 2019 on behalf of its wholly owned subsidiary, Graven Hill Village Development Company Ltd (GHVDC), relating to GHVDC's obligations under the S106 Agreement for payment of contributions and direct delivery of a primary school. The Bond Sum is £22m.

Note 39 - Contingent Assets

VAT Share

When the Council sold their housing stock an agreement was put in place so that they would be party to any input VAT refund received by the third party responsible for repairs and maintenance work. These amounts relate to the refurbishment of the properties sold to bring them up to the required standard. It is expected that a flow of economic benefit will occur in the future, however the value and timing is less certain.

Collection Fund Accounts

31-Mar-20			31-Mar-21			
Business Rates	Council Tax	Total	Collection Fund	Business Rates	Council Tax	Total
£'000	£'000	£'000	Income:	£'000	£'000	£'000
0	(105,076)	(105,076)	Council Tax Receivable		(110,800)	(110,800)
(103,401)	0	(103,401)	Business Rates Receivable	(42,898)		(42,898)
(818)	0	(818)	Transitional Protection Payments Receivable	(376)	0	(376)
(104,219)	(105,076)	(209,295)	Total Income	(43,275)	(110,800)	(154,075)
Expenditure:						
Contribution to Previous Year's estimated Surplus/Deficit:						
938	0	938	Central Government	2,513		2,513
750	176	926	Cherwell District Council	2,011	304	2,314
188	1,160	1,348	Oxfordshire County Council	503	1,994	2,497
0	148	148	Thames Valley Police and Crime Commissioner		280	280
Precepts, demands and shares:						
47,225	0	47,225	Central Government	48,011		48,011
37,780	12,054	49,834	Cherwell District Council	38,409	12,797	51,206
9,445	79,136	88,581	Oxfordshire County Council	9,602	84,864	94,467
0	11,114	11,114	Thames Valley Police and Crime Commissioner	0	12,016	12,016
Charges to Collection Fund:						
294	21	315	Write-offs of uncollectable amounts	(35)	413	378
98	593	691	Increase/(decrease) in allowance for impairment	607	(137)	470
4,634	0	4,634	Increase/(decrease) in allowance for appeals	4,867		4,867
231	0	231	Charge to General Fund for allowable collection costs for non-domestic rates	232		232
Other transfers to General Fund in accordance with non-domestic rates regulations						
481	0	481	Renewable Energy	491		491
102,064	104,402	206,465	Total Expenditure	107,210	112,533	219,743
(2,156)	(674)	(2,830)	Movement on Fund Balance	63,935	1,732	65,667
(2,095)	(2,290)	(4,385)	Balance at the beginning of the Year	(4,251)	(2,965)	(7,216)
(4,251)	(2,965)	(7,215)	Balance at the end of the Year	59,684	(1,233)	58,451
Shares of Balance						
(2,125)	0	(2,125)	Central Government	29,842		29,842
(1,700)	(349)	(2,049)	Cherwell District Council	23,874	(143)	23,731
(425)	(2,294)	(2,719)	Oxfordshire County Council	5,968	(950)	5,018
0	(322)	(322)	Thames Valley Police and Crime Commissioner	0	(140)	(140)
(4,251)	(2,965)	(7,216)	Total	59,684	(1,233)	58,451

Notes (1 – 4) to the Collection Fund

Note 1. General

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates, council tax and the distribution to the major preceptors and the General Fund. The account is consolidated with other accounts of the Council.

Under the business rates retention scheme, local authorities retain 50% of the business rates collected for the area (Cherwell 40% and Oxfordshire CC 10%) and pay the remaining 50% to central government. The government has set a level of business rates funding deemed to be applicable to each area and every Council receives a top-up (if business rates collected are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding).

If a local authority increases its business rates base, and thereby increases its business rate income, it is allowed to retain a proportion of this increased income, whilst paying up to a maximum of 50% across to central government. This payment where it occurs is known as a levy payment. However, as Cherwell District Council is part of a business rates pool, the levy is distributed to the members as per the pooling arrangements with 0.72% paid to central government as a levy payment.

Note 2. Business Rates

Business Rates is a local tax that is paid by the occupiers of all non-domestic/business property.

Business rates are calculated and collected by the Council. The Government specifies an amount (51.2p in 2020/21; 49.9p for small businesses) and, subject to the effects of transitional arrangements, local businesses pay NNDR calculated by multiplying their rateable value by that amount. The income raised in Cherwell is distributed between Cherwell District Council, Oxfordshire County Council and Central Government in line with the distribution rules set out in Business Rates legislation.

NNDR income was £43.3 m in 2020/21. The rateable value for the Council's area was £231.7 m at 31 March 2021 VOA valuation (2019/20: £231.0 m).

Note 3. Provision for Un-collectable Amounts

Provision has been made within the accounts for un-collectable amounts based on guidelines. At the end of 2020/21 the accumulated provision for bad debts stood at £3.229m (£2.759m for 2019/20) made up as follows:

31-Mar-20		31-Mar-21
£'000	Provision for Uncollectable Amounts	£'000
377	Non-Domestic Rates	984
2,382	Council Tax	2,245
2,759	Total Provision	3,229

Note 4. Council Tax Base

The Council tax Base, for tax setting purposes, is calculated by reference to the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, and adjustments made for exempt properties and anticipated amendments. This is then converted to an equivalent number of band D dwellings which is the amount the authority estimates would be collected if a tax of £1 is set.

The figures for 2020/21 are:

Band	Estimated equivalent no. of taxable properties after effect of discounts	Ratio	Band D Equivalent Dwellings
A	4,401	6/9ths	2,934
B	13,080	7/9ths	10,173
C	15,730	8/9ths	13,982
D	10,312	9/9ths	10,312
E	7,510	11/9ths	9,179
F	3,687	13/9ths	5,326
G	2,463	15/9ths	4,105
H	214	18/9ths	428
Totals	57,397		56,439
	Adjustment for non- collection (-2.0%)		(1,129)
	Contribution from MOD Properties		250
	Council Tax Base 2020/21		55,560
	Council Tax Base 2019/20		53,877

The Council tax payable at each band is shown below. This does not include parishes.

Band	Multiplier	Cherwell Council	Oxfordshire County Council	Thames Valley Police and Crime Commissioner	Total £s
A	6/9ths	89.00	1,018.29	144.19	1,251.48
B	7/9ths	103.83	1,188.01	168.22	1,460.06
C	8/9ths	118.67	1,357.72	192.25	1,668.64
D	9/9ths	133.50	1,527.44	216.28	1,877.22
E	11/9ths	163.17	1,866.87	264.34	2,294.38
F	13/9ths	192.83	2,206.30	312.40	2,711.53
G	15/9ths	222.50	2,545.73	360.47	3,128.70
H	18/9ths	267.00	3,054.88	432.56	3,754.44

Group Accounts and Explanatory Notes

Introduction

The purpose of the Group Accounts is to provide a picture of Cherwell District Council's and the group of companies and other entities, which are either controlled or are significantly influenced by the Council. The Group Accounts show the full extent of the Authority's wider assets and liabilities. While the Group Accounts are not the primary statement, they provide transparency and enable comparison with other entities that have different corporate entities.

The Group Accounts include the following:

- Group Comprehensive Income and Expenditure Statement – summarises the resources that have been generated and consumed in providing services and managing the Group during the year. It includes all day-to-day expenses and related income on an accruals basis.
- Group Movement in Reserves – shows the movement in the year on the Council's single entity usable and unusable reserves together with the Council's share of the Group expenses.
- Group Balance Sheet – reports the Council Group financial position at the year-end.
- Group Cash Flow Statement – shows the changes in cash and cash equivalents of the Group during the year. The statement shows how the Group generates and uses cash and cash equivalents by classifying cashflows as operating, financing and investing activities.
- Notes to the Group Accounts where the balances are materially different to those in the single entity accounts.

Results of the Subsidiaries

The following notes provide additional details about the Authority's involvement in the entities consolidated to form the group accounts.

Graven Hill Village Holdings Ltd

The company is a holding company and does not trade. The council holds 100% of the shares in the company. The council has dominant control of the company by virtue of guaranteed majority voting rights on the board. The board consists of Councillors and Officers who are appointed by the council. It is intended that the company will continue as a holding company for the foreseeable future. The company borrows and lends funds from its parent company to its subsidiary company, Graven Hill Village Development Company Ltd.

For 2020/21, the company's results showed a loss of £0.026m (£0.029m loss in 2019/20), and net assets of £31.769m (2020: £27.795m). Loans outstanding owed to the group total £12.234m (2020: £13.091m).

A full copy of the company's accounts can be obtained from the Directors, Graven Hill Village Holding Company Ltd, Graven Hill Site Office, Building E25, Graven Hill Road, Bicester, OX25 2BF.

Graven Hill Village Development Company Ltd

The company is a subsidiary of Graven Hill Village Holdings Ltd. The holding company holds 99% of the shares and the council holds 1%. The council has dominant control of the company by virtue of its control of the holding company. The board consists of the Councilors, Officers and appropriately experienced non-executive directors. The principal activity of the company during the period was that of a property development company. The development company has a subsidiary, Graven Hill Village Management Company Ltd, for residents' property management.

For 2020/21, the company's results showed a surplus of £1.311m (2020: £0.475m), and net assets of £31.46m (2020: £26.148m). Loans outstanding from the group to the company total £48.555m (2020: £42.617m).

A full copy of the company's accounts can be obtained from the Directors, Graven Hill Village Development Company Ltd, Graven Hill Site Office, Building E25, Graven Hill Road, Bicester, OX25 2BF.

Crown House Banbury Ltd

The company was purchased in Aug 2017. The principal activity of the company during the period was that of a property development company. The council holds 100% of the shares in the company. The council has dominant control of the company by virtue of guaranteed majority voting rights on the board. The board consists of Councilors and Officers who are appointed by the council.

For 2020/21, the company's results showed a loss of £0.679m (2020: £1.874m), and net liabilities of £3.533m (2020: £2.841m). The value of loans outstanding from the council calculated using the Effective Interest Rate method total £11.177m (2020: £10.548m).

A full copy of the company's accounts can be obtained from the Directors, Crown House Banbury Ltd, Bodicote House, White Post Lane, Bodicote OX15 4AA.

Crown Apartments Banbury Ltd

The company is a subsidiary of Crown House Banbury Ltd which manages the residential property. For 2020/21, the company's results have been consolidated into the Crown House Banbury Ltd results above before being consolidated into the larger group.

Other entities within the Group

The other entities within the Group in which the council has an interest are:

- CSN Resources Ltd, provides Revenues and Benefits services to the council. The company is a Teckal company limited by guarantee. Liability is shared equally with South Northamptonshire District Council. The company showed a surplus of £0.12m (2020: £0.191m) attributable to the Group in 2020/21 and has been included in the group, according to IFRS 11:23, at 50%.
- CSN Associates Ltd, which is intended to trade the services of CSN Resources with third parties, has not begun trading.

- Graven Hill Village Management Company Ltd is a subsidiary of Graven Hill Village Development Company which manages the property retained within the group. There was no activity for the company in this financial year.
- Graven Hill Village Management Company Block E is a subsidiary of Graven Hill Village Development Company which manages the property at the Block E apartments. The only activity for the company in this financial year relates to administrative expenses resulting in a loss for the year of £0.029m (2020: 0; not trading) and net assets of £0.028m (2020: 0).

Summary of Group

Company Name	Date of Incorporation / Acquisition
Graven Hill Village Holdings Ltd	25 Jun 2014
Graven Hill Village Development Company Ltd	25 Jun 2014
CSN Resources Ltd	25 Apr 2017
CSN Associates Ltd	25 Apr 2017
Crown House Banbury Ltd	4 Aug 2017
Graven Hill Village Management Company Ltd	26 Feb 2018
Crown Apartments Banbury Ltd	7 Jun 2018
Graven Hill Village Management Company Block E	3 Oct 2018

Group Year Ending 31-Mar-20 (restated)	Group Comprehensive Income and Expenditure Statement	Group Year Ending 31-Mar-21
£000		£000
(2,196)	Adults and Housing Services	(2,450)
1,273	Comm Dev Assets and Invests	7,929
8,021	Cust and Org Dev & Resources	7,718
9,550	Environment & Place	20,277
3,467	Public Health and Wellbeing	4,794
20,115	Cost of Services	38,267
5,149	Other Operating Expenditure	35,272
25,980	Financing and Investment Income and Expenditure	18,807
1,472	Movement in the fair value of investment properties	257
(34,679)	Taxation and Non-Specific Grant Income	(42,667)
18,037	(Surplus) or Deficit on Provision of Services	49,936
(9,046)	Surplus or deficit on revaluation of property, Plant and Equipment	2,038
0	Impairment losses on non-current assets charged to the revaluation reserve	0
0	Surplus or deficit on revaluation of available for sale financial assets	0
(31,312)	Remeasurement of the net defined benefit liability / asset	23,517
(40,358)	Other Comprehensive Income and Expenditure	25,555
(22,321)	Total Comprehensive Income and Expenditure	75,491

Group Movement in Reserves Statement							
	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Receipts Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£001	£000	£000	£000
Balance at 31 March 2020 (restated)							
-As previously stated	8,663	(26,381)	0	(165)	(17,883)	(17,116)	(35,000)
-Prior year adjustment re CDC PY					0	(5,373)	(5,373)
Restated Balance at 1 April 2019	8,663	(26,381)	0	(165)	(17,883)	(22,489)	(40,372)
Movement in Reserves during 2019/20							
Surplus or deficit on the provision of services	49,936	0	0	0	49,936	0	49,936
Other Comprehensive Income / Expenditure	0	0	0	0	0	25,555	25,555
Total Comprehensive Income and Expenditure	49,936	0	0	0	49,936	25,555	75,491
Adjustments between accounting basis and funding basis under regulations	(49,016)	0	(79)	(511)	(49,606)	49,606	0
Net Increase or Decrease before Transfers to Earmarked Reserves	920	0	(79)	(511)	330	75,161	75,491
Transfers to / from Earmarked Reserves	26,504	(26,504)	0	0	0	0	0
(Increase) or Decrease in 2020/21	27,424	(26,504)	(79)	(511)	330	75,161	75,491
Balance at 31 March 2021	36,087	(52,885)	(79)	(676)	(17,554)	52,673	35,120

Group Movement in Reserves Statement (restated)	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Receipts Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2019	7,982	(21,661)	0	(145)	(13,824)	(9,608)	(23,433)
Adjustment to opening balances to correct final reserves positions	374	1,296			1,670	(1,670)	0
Prior year adjustment					0	5,383	5,383
Restated Balance at 31 March 2019	8,356	(20,365)	0	(145)	(12,154)	(5,895)	(18,050)
Movement in Reserves during 2019/20							
Surplus or deficit on the provision of services	18,037	0	0	0	18,037	0	18,037
Other Comprehensive Income / Expenditure		0	0	0	0	(40,358)	(40,358)
Total Comprehensive Income and Expenditure	18,037	0	0	0	18,037	(40,358)	(22,321)
Adjustments between accounting basis and funding basis under regulations	(23,744)		0	(20)	(23,764)	23,764	0
Net Increase or Decrease before Transfers to Earmarked Reserves	(5,707)	0	0	(20)	(5,727)	(16,595)	(22,321)
Transfers to / from Earmarked Reserves	6,016	(6,016)		0	0		0
Increase or Decrease in 2019/20	309	(6,016)	0	(20)	(5,727)	(16,595)	(22,321)
Balance at 31 March 2020	8,665	(26,381)	0	(165)	(17,883)	(22,489)	(40,372)

Group Balance Sheet

31 March 2020 (Restated)		31 March 2021
£000		£000
134,080	Property, Plant & Equipment	162,883
68,798	Investment Property	52,783
1,504	Intangible Assets	2,282
0	Assets held for sale	0
1,110	Long Term Investments	1,111
2,120	Long Term Debtors	(10,862)
207,612	Long Term Assets	208,197
17,048	Short Term Investments	31,028
70,555	Inventories	73,367
17,098	Short Term Debtors	60,708
14,426	Cash and Cash Equivalents	22,024
119,127	Current Assets	187,127
(66,507)	Short Term Borrowing	(82,584)
(38,564)	Short Term Creditors	(99,751)
(1,387)	Provisions	(5,169)
(1,160)	Grants Receipts in Advance - Revenue	(8,612)
(613)	Grants Receipts in Advance - Capital	(777)
(108,231)	Current Liabilities	(196,893)
(5,610)	Provisions	(3,823)
(75,000)	Long Term Borrowing	(102,000)
(72,770)	Pension Liability	(95,654)
(1,677)	Long Term Creditors	(5,345)
(4,516)	Grants Receipts in Advance - Revenue	(4,174)
(18,563)	Grants Receipts in Advance - Capital	(22,555)
(178,136)	Long Term Liabilities	(233,551)
40,372	Net Assets / (Liabilities)	(35,120)
(17,883)	Useable Reserves	(17,554)
(22,489)	Unusable Reserves	52,673
(40,372)	Total Reserves	35,120

Group Cashflow

2019/20 (restated) £'000	Group Cash Flow Statement	Note	2020/21 £'000
Cash Flows from Operating Activities			
18,349	Net (Surplus)/Deficit on Provision of Services		19,404
(2,812)	Depreciation & Impairment	14	(3,186)
(7,887)	Changes in Market Value of Property, Plant & Equipment	14	(4,721)
(237)	Amortisation of Intangible Assets	16	(367)
(14,021)	Changes in Fair Value of Investment Properties	15	(18,044)
(2,359)	Disposal of Assets	14	(2,042)
(1,273)	Changes in Inventory	18	5,244
8,841	Changes in Short Term Debtors (decrease)	19	24,471
6,618	Changes in Short Term Creditors (increase)	22	(26,252)
(1,783)	Changes in Provisions (increase)	23	(1,988)
0	Changes in Deferred Capital Receipts		0
25,330	Changes in Net Pension Liability (decrease)	37	(22,884)
(31,312)	Remeasurement of Net Defined Benefit Liability	37	23,108
(10,631)	Changes in long term creditors (increase)	17	(9,646)
10,028	Changes in Long Term debtors (decrease)	17	5,703
3,445	Capital Grants Recognised	31	13,056
4,042	Proceeds on Disposal of Property, Plant & Equipment	24	2,089
4,338	Net Cash Flows from Operating Activities		3,946
Cash Flows from Investing Activities			
19,407	Purchase of Property, Plant & Equipment	14	40,764
5,387	Purchase of Investment Property	15	6,056
771	Purchase of Intangible Assets	16	1,146
(4,042)	Proceeds from the Disposal of Property, Plant and Equipment	24	(2,089)
0	Other payments and receipts from investing activities		0
23,490	Net Changes in Short-term and Long-term Investments (decrease)	17	17,980
45,013	Net Cash Flows from Investing Activities		63,856
Cash Flows from Financing Activities			
0	Changes in Grants and Contributions	25	0
(12,450)	Issued share capital		(8,000)
0	Capital Grants and Contributions Recognised	31	0
(29,943)	Cash Receipts of Short-term and Long-term Borrowing	17	(43,077)
(6,451)	Any other items for which the cash effects are investing or financing cash flows		(24,322)
0	Changes in Council Tax and Business Rates Collected for Third Parties	10	0
(48,844)	Net Cash Flows from Financing Activities		(75,399)
507	Net (Increase)/Decrease in Cash and Cash Equivalents in the Period		(7,597)
14,933	Cash and Cash Equivalents at the Beginning of the Period		14,426
14,426	Cash and Cash Equivalents at the End of the Period		22,024

Note 1 Accounting Policies of for the Group

The Group Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Council has consolidated its interests in all the entities over which it exercises control or significant influence. Graven Hill Holding Company Ltd, Graven Hill Development Company Ltd and Crown House Banbury Ltd have been consolidated because together they are material to the Council's balance sheet. In addition, the Council has consolidated CSN Resources to provide a full picture of the Council's arrangements for good governance.

Where group entities use different accounting policies to the Council, their accounts have been restated to re-align their accounting policies with those of the Council where the effect of not doing so would be material to the reader's interpretation of the accounts.

Intra-group transactions have been eliminated before consolidation on a line by line basis.

Note 2 Group Property Plant and Equipment

Movements to 31 March 2021 (Restated)	Land and Buildings Revised	Vehicles Plant & Equipment	Infrastructure Assets	Surplus Assets	Community Assets	Assets under Construction Revised	Total Property, Plant and Equipment Revised
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000
at 1 April 2020							
-As previously reported	102,659	14,065	5,556	10	24	20,978	143,306
-Prior year adjustment	(5,373)						(5,373)
-As restated	108,032	14,065	5,556	10	24	2,978	148,679
Additions	347	797	0	0	14	39,619	40,763
Acc Dep & Imp WO to GCA	(583)	0	0	0	0	0	(583)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,043)	0	0	5	0	0	(2,038)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,721)	0	0	0	0	0	(4,721)
Derecognition – disposals	(2,024)	(308)	0	0	0	(203)	(2,535)
Reclassifications and transfer	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Other movements in cost or valuation	3,303	0	0	0	0	(3,303)	0
at 31 March 2021	102,311	14,554	5,556	15	38	57,091	179,565
Accumulated Depreciation and Impairment							
Balance brought forward	(2,097)	(9,665)	(2,838)	0	0	0	(14,600)
Depreciation charge	(2,766)	(942)	(78)	0	0	0	(3,186)
Acc. Depreciation WO to GCA	583	0	0			0	583
Derecognition – disposals	211	308	0	0	0	0	519
Assets reclassified (to)/from Investment Property	0	0				0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0
at 31 March 2021	(3,469)	(10,299)	(2,916)	0	0	0	(16,684)
Net Book Value							
at 31 March 2021	98,842	4,255	2,640	15	38	57,091	162,883
at 31 March 2020 (restated)	105,935	4,400	2,718	10	24	20,978	134,079

Property, plant and equipment within the Group is measured at current value and revalued at least every five years by qualified valuers. Details of when the Council's property plant and equipment were revalued are shown in Note 14 to the single entity accounts.

Note 3 Group Inventories

31-Mar-20		31-Mar-21	
£'000		£'000	
25,853	Land	23,537	
44,515	Development Costs	49,606	
187	Stock	224	
70,555	Total Inventories	73,367	

Annual Governance Statement 2020/21

INTRODUCTION

1. This is Cherwell District Council's Annual Governance Statement for 2020/21. It provides:

- An *opinion* on the Council's governance arrangements from the Council's senior managers and the leader of the Council
- A review of the *effectiveness* of the Council's governance arrangements during 2020/21;
- A *conclusion* in relation to the effectiveness
- A review of the *action plan* completed in 2020/21
- An *action plan* for 2021/22
- An *annex* summarising our governance framework

The Annual Governance Statement is required by law¹ and follows the best practice guidance from the Chartered Institute of Public Finance and Accounting (CIPFA). This year, as in the previous year, the Statement also highlights the governance issues posed by the continuing COVID-19 pandemic.

STATEMENT OF OPINION

2. It is our opinion that the Council's governance arrangements in 2020/21 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2021/22. It is our opinion that this has remained the case during the COVID-19 pandemic; and that despite the challenges posed by this, the Council's governance in dealing with the pandemic and our ability to maintain sound governance during the outbreak, has been effective.

SIGNATURES

Signed on behalf of Cherwell District Council:

.....	Date	Date
Yvonne Rees		Cllr Barry Wood	
Chief Executive		Leader of the Council	

¹ Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015

REVIEWING OUR EFFECTIVENESS DURING 2020-21

This review looks at:

- Effectiveness of our governance – generally and in relation to COVID-19
- Conclusion about this effectiveness
- Internal Audit function during 2020/21
- Our statutory governance roles
- Review of actions 2020/21
- Actions for 2021/22
- Outline of our governance

Overview

3. We have reviewed our overall effectiveness both in general and with regard to the COVID-19 pandemic challenges faced and those which we continue to face during recovery.

Generally:

All action points for 2020/21 were completed as outlined in Annex 1. Specific action points for 2021/22 are set out in Annex 2.

The weakening of the procurement team at the Council accelerated in 2020/21 following the separation from South Northamptonshire Council and the gravitation of procurement staff to that authority. However, it was able to benefit from the County Council's over-arching review of the procurement service which, in turn, resulted in a procurement and contract management service for both authorities.

4. Here are some ways in which our governance has proved effective during 2020/21
 - ❖ Introduced democratic decision-making virtually, via MS Teams
 - ❖ In partnership with Oxfordshire County Council, the Council continues to deliver [a joint senior management structure](#) across both authorities.
 - ❖ The Council appointed a Director of Law & Governance and Monitoring Officer and also a Head of Legal Services.
 - ❖ Implemented a revised Constitution following a structured review by the Overview & Scrutiny Committee and Full Council; also establishing an annual review process
 - ❖ Actions within last year's governance statement were tracked to completion.
 - ❖ The Interim Monitoring Officer provided an [annual overview and scrutiny report](#) on his view of the Council's governance arrangements. This review was formally reported to, and endorsed by, the Council on 20 July 2020.

- ❖ The Director of Law & Governance and Monitoring Officer submitted a report to the Accounts, Audit & Risk Committee on 17 March 2021 which recommended changes to the Terms of Reference for the Committee. The proposed Terms of Reference extended the areas that would be reported to the Committee and the amendments were aligned to current best practise and based on the Chartered Institute of Public Finance and Accountancy (CIPFA) model template. The revised Terms of Reference were subsequently approved by Council on 19 May 2021.

During COVID-19

5. Common with other authorities, we acted swiftly during the initial outbreak of COVID-19 to meet the demands of the pandemic and continued to do so throughout 2020/21. We are confident that we were able to do so without compromising good governance and democratic accountability. Our reaction benefited from:
 - Clear leadership structure
 - Dedicated Gold and Silver Command structures
 - Partnership working with Oxfordshire County Council
 - COVID-19 risk assessments for our services
 - Flexible and reactive approach.
 - Regular engagement with the administration and Political Group Leaders so as to aid transparency of actions being taken
 - Regular and timely communications with councillors, staff and stakeholders
 - Continuation of political decision-making with Executive, Council and Committees meeting virtually by MS Teams

Impact

6. Lockdown and social distancing rules necessitated **democratic decision-making** be moved to a virtual setting. The council was able to facilitate online decision-making through MS Teams. This also allowed members of the public to take part in virtual meetings e.g. for questions and the presentation of petitions. A **revised Constitution and protocol** ensured the application of the Constitution's key principles of openness, transparency and accountability. The councillor constituency voice was also maintained through the designation of a specific email address for councillors to raise COVID-19 related issues on behalf of their communities.
7. The prolonged impact of COVID-19 required sustained business continuity activity to ensure the delivery of services in a largely uninterrupted fashion. Cherwell District Council's Human Resources and ICT Teams have, throughout 2020/21, facilitated working from home whilst ensuring that the workforce is supported in doing so.
8. Financial management practices have had to adapt to the prolonged impact of COVID on financial management. A Financial Cell was established as part of the COVID response strategy to support related decision making.

9. Clearly some services, were required to implement additional COVID-19 specific processes which will have impacted on normal business for those services, such as the Revenues and Benefits team (at CSN Resources) and Finance. The Council had to respond quickly and implement new processes in response to the government's requirement to provide COVID-19 grants to qualifying local businesses. The Council also had to introduce discretionary schemes and the associated checks and balances to ensure grants were paid to appropriate qualifying businesses in need of support.

Command structure

10. The Council's **Gold and Silver Command** were put into place and worked well during the initial outbreak. The Command structures enabled the Council to keep visibility of services and how best to prioritise actions e.g. community and voluntary sector co-ordination, the supply of personal protective equipment; the flow of communications to support for businesses; and business continuity. Plugging this into the wider **regional structures** (e.g. **Thames Valley Local Resilience Forum**) ensured the flow of essential information and experience. Regular Gold sessions for Oxfordshire's Chief Executives and Leaders were also an integral part of the command structure in co-ordinating our response. Annex 3 is a one-page illustration of the Command structure and how it fits within its local and regional setting.

Beyond COVID-19

11. The Council's reaction to the pandemic has **fast-tracked the development** of key governance issues and has continued to do so throughout 2020/21. This has been through the safe and reactive deployment of technology (to enable almost seamless homeworking and virtual meetings); business continuity awareness and practices; working without silos, service-planning becoming more aware of the cross-cutting interplay of services; reviewing the portfolio of property; enhanced focus on security, wellbeing and health and safety; and the deepening of the Cherwell District Council/Oxfordshire County Council partnership, with the whole pandemic management being undertaken jointly through the Gold and Silver command structures.
12. The resource implications of the pandemic posed a challenge for the local government sector. The Council's governance experience of COVID-19, alongside that of its partner, Oxfordshire County Council, shaped future planning as we managed the delivery of quality services and democracy under COVID-19 conditions:
 - Use of buildings and remote working
 - Business continuity, risk assessment and project planning
 - Fluidity and accountability of decision making
 - Smart use of technology and digital engagement and solutions
 - Financial management
13. The Council approved (jointly with Oxfordshire County Council) a robust recovery strategy – "**Restart Recover Renew**". It recognised the opportunity to learn from our experience and to transform our services for the better as we move along the Roadmap.

Internal audit in 2020/21

14. The 2019 CIPFA Statement on the “Role of the Head of Internal Audit in public service organisations” outlines the principles that define the core activities and behaviours that belong to the role of the ‘Head of Internal Audit’ and the governance requirements needed to support them. The Council's arrangements conform with the governance requirements of the CIPFA statement as our Chief Internal Auditor as follows:

- objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control
- championing best practice in governance and commenting on responses to emerging risks and proposed developments.
- be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee
- lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively
- be professionally qualified and suitably experienced.

15. The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). The self-assessment against the standards is completed on an annual basis. It is a requirement of the PSIAS for an external assessment of internal audit to be completed at least every five years. This is next due in 2022.

16. The Chief Internal Auditor prepared an Annual Report on the work of Internal Audit which concludes for the 12 months ended 31 March 2021, there is **satisfactory** assurance regarding Cherwell District Council's overall control environment and the arrangements for governance, risk management and control. Where weaknesses have been identified through internal audit review, they have worked with management to agree appropriate corrective action and timescale for improvement.

17. Where Internal Audit identifies areas for improvement, management action plans are in place and are routinely monitored by the Internal Audit team and reported to the Accounts, Audit & Risk Committee. Managers are required to provide positive assurance that actions have been implemented; performance on implementation is high, demonstrating that control weaknesses identified by Internal Audit are being addressed on a timely basis.

Financial Management Code

18. A key goal of the Financial Management Code of Practice (launched by CIPFA in November 2019) is to improve the financial resilience of organisations by embedding enhanced standards of financial management. Inevitably, the impact of COVID-19 has tested that financial resilience in 2020/21 and will continue to do so in coming years. 2020/21 was a 'shadow year' for implementing the Code with authorities expected to work towards full compliance from April 2021. There are clear links between the Financial Management Code and the Governance Framework, particularly with its focus on achieving sustainable outcomes. As such, Annex 5 sets out the outcomes of the initial assessment of compliance with the Code. As you will see, the picture is positive, with the RAG (Red-Amber-Green) rating of compliance showing as Green in all but one of the 19 standards. A column showing 'Further Work' gives an indication of improvements that can be made over the current year. For example, to bring the amber rated standard to green the action is to "Embed budget monitoring to include key balance sheet items including reserves and balances and debtors".

Our statutory governance roles

19. The Council is required to appoint to three specific posts, each of which oversees a key aspect of the Council's governance:

- **Head of the Paid Service** (HOPS) role – which is our Chief Executive, Yvonne Rees: how the Council's functions are delivered, the appointment and proper management of staff
- **Monitoring Officer** – in early 2020/21 this was Nick Graham, Director of Law and Governance: responsible for the Council's Constitution, the lawfulness and integrity of its decision-making and the quality of its ethical governance. Steve Jorden, Corporate Director for Commercial Development, Assets and Investment, was appointed interim Monitoring Officer until the appointment of Anita Bradley to the post of Director of Law and Governance and Monitoring Officer in January 2021.
- **'Section 151 Officer'** – the Chief Finance Officer, throughout 2020/21 has been and remains Lorna Baxter: responsible for the financial management of the authority.

20. Each of the postholders is an integral member of the Council's most senior leadership team (CEDR – Chief Executive Direct Reports). As such, they are fully sighted on all of the Council's objectives, workstreams and emerging plans; and their perspectives and voices continue to be heard in, and to influence, this senior forum.

21. The Chief Finance Officer and the Monitoring Officer both have open access to the Chief Executive at all times. They carry a statutory responsibility to report issues to Full Council, if needed. As such, the posts remain pivotal to the Council's good governance.

Governance Actions – Review of 2020/21 and priorities for 2021/22

22. The following two annexes summarise:

Annex 1: updates on the priority actions for 2020/21

Annex 2: actions identified for 2021/22

23. The Actions for 2020/21 in Annex 2 will be monitored by the Corporate Governance Assurance Group and the Accounts, Audit and Risk Committee. The Actions for 2020/21 in Annex 1 highlight certain aspects of emerging governance that might not otherwise be apparent from work regularly reported to the Council's Accounts, Audit & Risk Committee. As such, progress reports on these actions will be reported to the Committee through the year.

24. Other governance and audit activity across the Council will continue to be reported to [Accounts, Audit and Risk Committee](#) through its normal work programmes

Governance in Outline

25. Annex 4 sets out the Council's governance framework in outline.

Annex 1 – Significant Governance Issues

Actions identified for 2020/21 - Update

26. This is a review of the progress during 2020/21 on the priorities for that year.
The actions identified were completed in-year

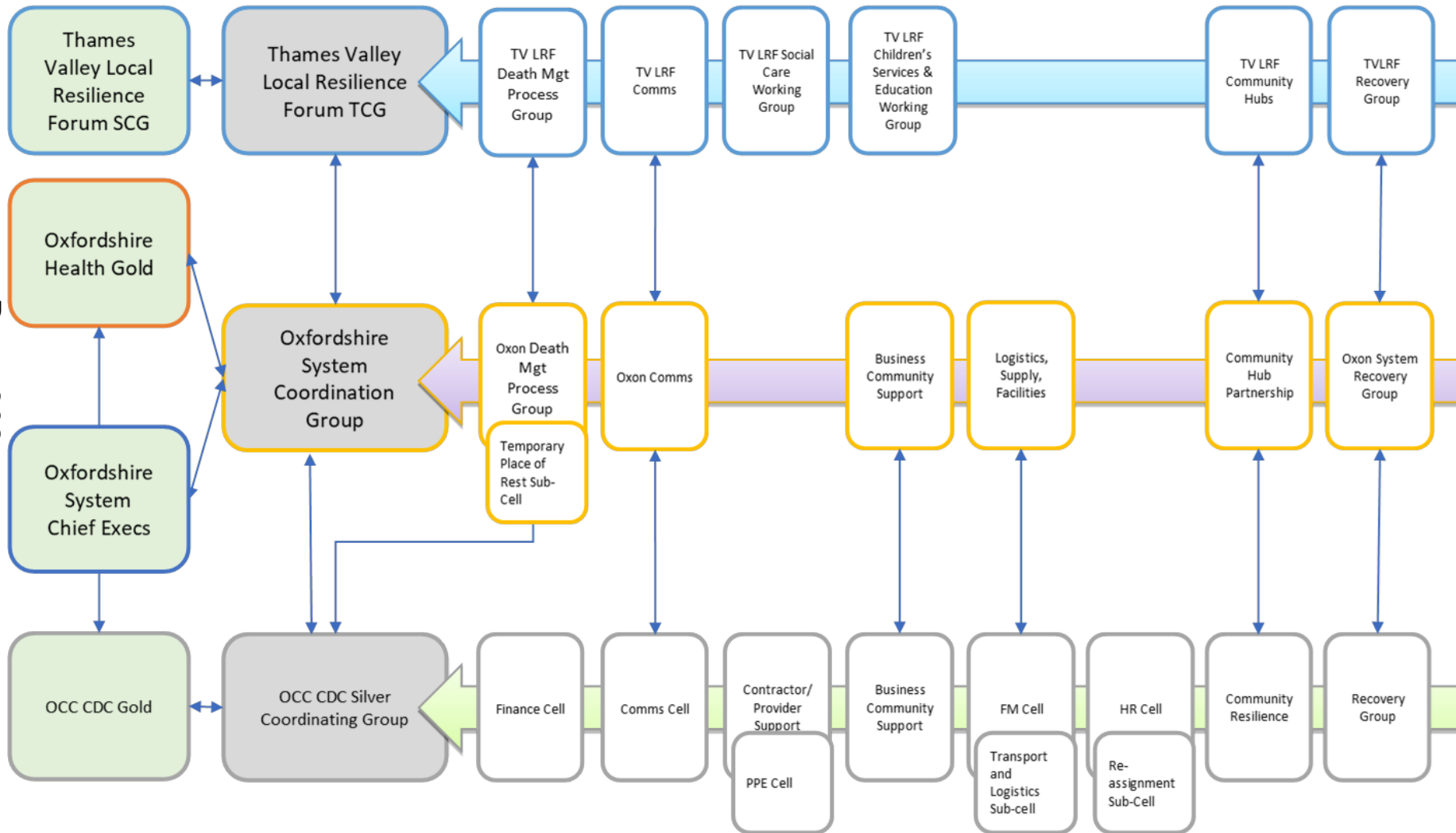
Actions that were planned for 2020/21	Original Timescale	Outcome
<p>Alignment of Annual Governance Statement preparation – Oxfordshire CC and Cherwell District Council: achieving a more streamlined approach to AGS preparation across both authorities which:</p> <ul style="list-style-type: none"> • engages senior managers and is clearly aligned to corporate objectives • achieves revised and more meaningful Directors Certificate of Assurance process • establishes a joint Corporate Governance Assurance Group of key governance officers with a view across both authorities • becomes a 'living, year-round activity' not simply one about producing a 'document' • reviews the current arrangement of 'lead statements' and establishing a corporate governance lead for Property & Security • establishes a relevant Local Codes of Corporate Governance which better reflects the Councils' current work 	<p>June – September 2020</p> <p>June-July 2020</p> <p>June 2020</p> <p>Ongoing</p> <p>September 2020</p> <p>September 2020</p>	<p>The partnership between this Council and Oxfordshire County Council has allowed the development of a much more aligned approach to each authority's Annual Governance Statement.</p> <p>In addition to sharing a common structure, this year, the actual preparation for the Statements has been more integrated. A Joint senior management team arrangement for both authorities has enabled the Corporate Governance Assurance Group to work closely with the service leads in developing a common approach to the twin aspects of the Annual Governance Statement.</p> <p>This has resulted in reviewing of the effectiveness of current arrangements and the identifying areas of improvement.</p>

Actions that were planned for 2020/21	Original Timescale	Outcome
<p>Review of post-COVID governance arrangements:</p> <ul style="list-style-type: none"> • Corporate Governance Assurance Group to keep under review the Council's governance as we emerge from COVID including: • Linkage to any ongoing Gold-Silver command activity/experience • Lessons for key governance activities across the Corporate Lead areas – e.g. business continuity, risk, procurement, democratic decision making, ICT security, health and safety and property management; financial management. 	<p>Ongoing June 2020– March 2021</p>	<p>The Corporate Governance Assurance Group continued to monitor, support and engage with Corporate Lead areas so as to ensure that they are able to continue with effective governance arrangements.</p> <p>Corporate Leads continued to deliver services within the context of COVID and are likely to do so into 2021/22 as restrictions move in response to COVID. The Corporate Governance Assurance Group has and will continue to review the Council's governance, including its internal controls, policies and transparency arrangements.</p>

2	<p>Review of post-COVID governance arrangements:</p> <ul style="list-style-type: none"> The Corporate Governance Assurance Group will continue to monitor, support and engage with Corporate Lead areas so as to ensure that they are able to continue with effective governance arrangements. The Corporate Governance Assurance Group will continue to review the Council's governance, including its internal controls, policies and transparency arrangements. 	<p>Ongoing throughout 2021/2022</p> <p>Monthly review by Corporate Governance Assurance Group</p> <p>Paper to ELT and CEDR in Q.2 and each Quarter thereafter to update on progress</p> <p>Local Code of Corporate Governance reviewed by ELT in Q2 for consideration by Accounts, Audit and Risk Committee in September or November.</p> <p>Report to Accounts, Audit and Risk Committee at September, November, January and March meetings on emerging governance issues post-COVID.</p>	Corporate Governance Assurance Group	Corporate Governance Assurance Group
10.5	<p>Constitution Review</p> <p>Undertake an Annual Review of the Constitution, as agreed by Council in 2020, to take place during the Autumn</p>	<p>The Overview and Scrutiny Committee to agree the scope and means of a achieving the Annual Review of the Constitution (October 2021).</p> <p>Review to take place October-November</p> <p>The Scrutiny Committee (Nov 2021) to make recommendations for any substantive change to Council (December 2021).</p>	The Monitoring Officer	Overview and Scrutiny Committee
4	<p>Financial Management</p> <p>Implement budget monitoring that considers balance sheet items including reserves and outstanding debt</p>	<p>Begin monitoring of balance sheet items in Period 2 of 2021/22.</p> <p>As the closedown process finishes enhance the process throughout the year.</p>	S151 Officer	Budget Planning Committee

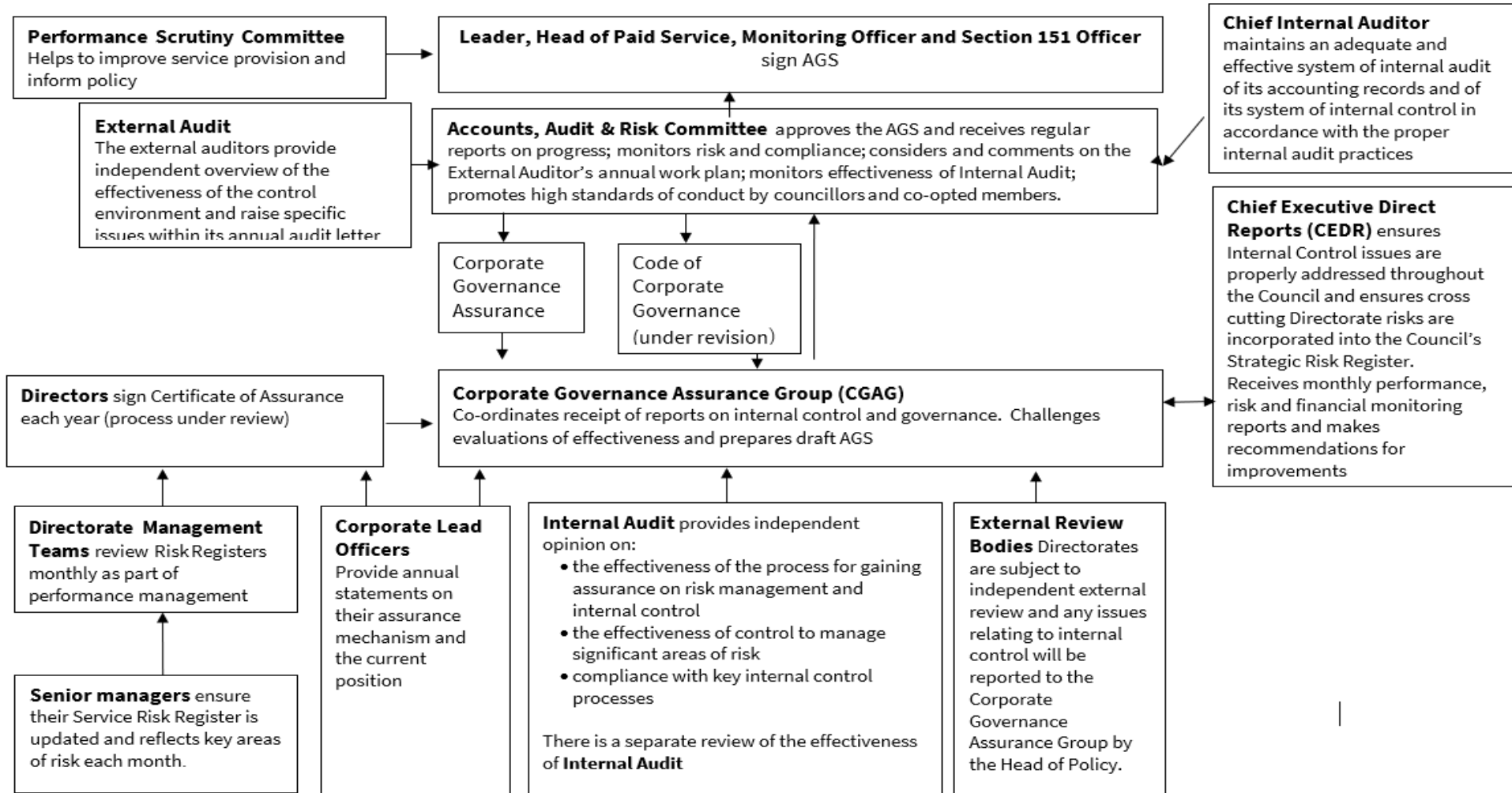
Annex 3 – COVID-19 Command and Control Structure

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Annex 4 – Overview of Corporate Governance Assurance Framework

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Annex 5 – Summary Financial Management Code Assessment

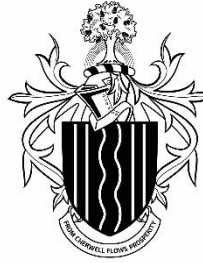
Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
1. Responsibilities of the CFO and Leadership Team				
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money	All services reviewed to ensure being delivered efficiently and appropriate savings identified. All tenders consider VfM by considering the quality of service and not just price.	Develop a statement of how proposals in Executive Reports will deliver value for money where appropriate	Green
	The authority complies with the CIPFA “Statement of the Role of the CFO in Local Government”	The CFO is qualified accountant with significant experience working as an active member of the leadership team. The CFO is a member of CEDR (Chief Executive Direct Reports) and has an influential role with members of the Cabinet, Audit & Governance Committee and lead opposition members.	Set out clear statement of roles and responsibilities of CFO, CEDR and the Exec.	Green
2. Governance and Financial Management Style				
C	The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control	The Corporate Governance and Assurance Group (CGAG) exists to ensure good governance and internal control, including driving the production of the Annual Governance Statement (AGS) and Action Plan through the completion of Professional Lead Statements and engagement with Corporate Directors.	CGAG to continue to establish itself and enhance its workload including driving consistency across the partnership between the County Council and CDC.	Green

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
D	The authority applies the CIPFA/SOLACE “Delivering Good Governance in Local Government: Framework (2016)”	Annual Governance Statement includes audit opinion on effectiveness of internal control environment and systems of internal control.	Continue to enhance and develop the AGS through CGAG.	Green
E	The Financial Management style of the authority supports financial sustainability	The Council has adopted a Business Partnering model that supports managers to deliver financially sustainable services by providing strategic advice and support. This is underpinned by a Corporate Function that manages the strategic financing issues and provides the budget setting and accounting framework for the organisation.	Continue to develop the skills of managers to ensure that they have access to performance and financial information that enables them to deliver services that are financially sustainable.	Green
Long to Medium-Term Financial Management				
	The authority has carried out a credible and transparent financial resilience assessment	A Financial Resilience assessment is included within the Budget Documents. The assessment is consistent with the Medium-Term Financial Strategy (MTFS) assumptions.		Green
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	MTFS far more transparent than in previous years clearly outlining the financial challenges facing CDC in the Budget and Business Planning Process 2021/22 – 2025/26 Report	Continue to update CEDR and the Executive throughout year and within Budget/MTFS documents	Green

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
H	The authority complies with the CIPFA “Prudential Code for Capital Finance in Local Authorities”	Capital Strategy is produced. Quarterly Treasury Management monitoring considered at the Accounts, Audit and Risk Committee.	Develop a profiled three-year capital programme. Provide quarterly TM and Prudential Indicator updates as part of monitoring reports.	Green
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	CDC has an Integrated Business Planning and Budget Process with a five-year MTFS.	Ensure services aware of future savings plans committed to and savings are implemented.	Green
4. The Annual Budget				
	The authority complies with its statutory obligations in respect of the budget setting process	The Council produces its annual balanced budget and supporting documentation.		Green
K	The budget report includes a statement by the CFO on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves	S25 report accompanies the suite of Budget documents. Enhanced by including an assessment of readiness for implementing the FM Code		Green
5. Stakeholder Engagement and Business Plans				
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	Significant consultation on the 2021/22 budget proposals as well as ensuring carry out the statutory business rate payer’s consultation.	Continue with corporate and directorate consultation – consider developing clear priorities that focus on providing services within resources available.	Green

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
M	The authority uses an appropriate documented options appraisal methodology to demonstrate the value for money of its decisions	<p>A business case is required for all capital schemes which sets out alternative options, the reasons for discounting them and benefits of progressing with the scheme.</p> <p>All tenders consider VfM by considering the quality of service and not just price – the appraisal process is documented.</p>	Agree consistent business case templates from outline through to full across the partnership between the County Council and CDC for both revenue and capital schemes.	Green
6. Monitoring Financial Performance				
N	The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	The monthly Performance, Risk and Financial Monitoring Report to Executive enables CEDR and Executive to respond to emerging risks – the effectiveness was evidenced during 2020/21 as the Council agreed an in-year budget to respond to the financial impact of COVID-19.	The Capital Programme monitoring element requires enhancement to better reflect performance and the delivery of outcomes linked to the completion of capital schemes.	Green
O	The Leadership Team monitors the elements of its balance sheet that pose a significant risk to financial sustainability	Developing processes to monitor key balance sheet items.	Embed budget monitoring to include key balance sheet items including reserves and balances and debtors.	Amber

7. External Financial Reporting				
P	The CFO has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom"	The annual accounts are produced in compliance with the CIPFA Code.		Green
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	CEDR and Executive consider outturn report and year end variances enabling strategic financial decisions to be made as necessary.		Green



Maria Grindley
Ernst & Young
Apex Plaza, Forbury Road
Reading
Berkshire
RG1 1YE

Bodicote House
Bodicote
Banbury
Oxfordshire
OX15 4AA

www.cherwell.gov.uk

Please ask
for:

Direct Dial:

Email: Lorna.Baxter@cherwell-dc.gov.uk

Our Ref: Letter of Representation 2020/21

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Cherwell District Council ("the Group and Council") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Cherwell District Council as of 31 March 2021 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for both Group and Council, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of both Group and Council, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for both the Group and the Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and council financial statements taken as a whole.
6. We have not corrected these differences identified and brought to our attention by the auditor because [specify reasons for not correcting misstatement].

[When there are no unadjusted audit differences in either the current year or in the prior year or there are no unadjusted audit differences in the current year and we determine that the current year effects of correcting prior year differences are not significant to the current year]. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

7. We confirm the Group and Council does not have securities (debt or equity) listed on a recognised exchange [other than...].

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or [Council]'s financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or [Council]'s activities, its ability to continue to operate, or to avoid material penalties;

- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Group, and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 22 September 2021.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with applicable financial reporting framework.
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter to the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and

council financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note [X] to the consolidated and council financial statements all guarantees that we have given to third parties.

E. Going Concern for audits of periods ending on or after 15 December 2020

1. Note [X] to the consolidated and parent entity financial statements discloses all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than..... described in Note [X] to the consolidated and council financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to year end which require adjustment of or disclosure in the consolidated and [council] financial statements or notes thereto.

G. Group audits

1. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst [council], subsidiary undertakings and associated undertakings.
2. The Council has two wholly owned companies that it supports financially via a variety of financial arrangements: Graven Hill and Crown House. These are long term arrangements, to which it will remain committed over the medium to longer term. The Council has provided loans to both companies which are long term in nature, and through these vehicles will remain committed to financially supporting these wholly owned companies over the long term

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

Representations required in specific circumstances

When the comparative information has been restated in the form of a prior year adjustment

[Add a paragraph providing a brief description of each matter giving rise to a restatement and the amount(s) concerned.]

The comparative amounts have been correctly restated to reflect the above matter(s) and appropriate note disclosure of this (these) restatement(s) has (have) also been included in the current year's consolidated and [council] financial statements.

Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the IAS 19 actuarial valuations of the Pensions Liability, the valuation of Property, Plant and Equipment and Investment Property and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial

statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Pensions Liability, Property, Plant and Equipment, and Investment Property Estimate

1. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the IAS 19 actuarial valuations of the Pensions Liability, the valuation of Property, Plant and Equipment and Investment Property estimates.
2. We confirm that the significant assumptions used in making the IAS 19 actuarial valuations of the Pensions Liability, the valuation of Property, Plant and Equipment and Investment Property estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the consolidated and parent entity financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
4. We confirm that appropriate specialised skills or expertise has been applied in making the IAS 19 actuarial valuations of the Pensions Liability, the valuation of Property, Plant and Equipment and Investment Property estimates.
5. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and parent entity financial statements, including due to the COVID-19 pandemic.

Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully

Director of Finance

Chairman of the Audit Committee

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Cherwell District Council

Accounts, Audit and Risk Committee

22 September 2021

Treasury Management Report – Q1 2021-22

Report of the Director of Finance

This report is public

Purpose of report

To receive information on treasury management performance and compliance with treasury management policy for 2021-22 as required by the Treasury Management Code of Practice.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of the Quarter 1 2021-22 Treasury Management Report.

2.0 Introduction

- 2.1 In 2012 the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve treasury management semi-annual and annual reports. This quarterly report provides an additional update.
- 2.2 The Council's Treasury Management strategy for 2021-22 was approved at a meeting on 22 February 2021. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the Council's treasury management strategy.
- 2.3 The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 22 February 2021.

3.0 Report Details

Summary position and strategy

- 3.1 As at the end of June 2021 the Council had borrowing of £179m and investments of £43.3m – a net borrowing position of £135.7m (31/3/21: £145.4m).
- 3.2 Lower interest rates have lowered the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The Council pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk.

Borrowing performance for 3 months ended 30 June 2021

- 3.3 The Council requires external borrowing to fund its capital programme, and had total debt of £179m at the report date. £75m (42%) of the current debt is at fixed rate for the medium-long term from the Public Works Loan Board (PWLB), with the remainder borrowed short term from other local authorities (at fixed rates, but on a rolling basis with various durations, therefore effectively variable rate).
- 3.4 The Council's chief objective when borrowing is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required,
- 3.5 The table below shows the borrowing position during and at the end of the reporting period:

	Borrowing Amount	Interest Rate	Interest Paid Budget*	Interest Paid Actual*	Variance
Apr-Jun 2021	£180m (average)	1.12% (annualised)	£0.548m	£0.505m	(£0.043m)
As at 30/6/21	£179m	1.10%	-	-	-

* Interest payable relates to external loans only, excluding finance lease and other interest of £63k

- 3.6 The table below shows average borrowing rates for the reporting period:

Borrowing Benchmarking	1 year	3 year	5 year	10 year	20 year	50 year
PWLB Maturity rate	1.01%	1.22%	1.43%	1.92%	2.31%	2.14%

- 3.7 Interest payable for the full year is forecast to be £399k under budget (positive variance).
- 3.8 A full list of current borrowing at 30 June 2021 is shown below:

Lender	Principal Borrowed £	Maturity Date
Rugby Borough Council	5,000,000	08/07/2021
Derbyshire Pension Fund	7,000,000	16/08/2021
Warwickshire County	5,000,000	13/09/2021
North of Tyne Combined Authority	10,000,000	29/09/2021
West Yorkshire Fire & Rescue	5,000,000	12/10/2021

Lincolnshire County Council	5,000,000	15/10/2021
Derbyshire Pension Fund	10,000,000	29/10/2021
West Yorkshire Fire & Rescue	5,000,000	29/10/2021
Wandsworth BC	5,000,000	15/11/2021
Wandsworth BC	5,000,000	10/12/2021
South Derbyshire DC	5,000,000	20/01/2022
West Midlands Combined Auth	10,000,000	14/02/2022
Wandsworth BC	5,000,000	23/05/2022
Oxfordshire County Council	5,000,000	15/07/2022
East Sussex County Council	5,000,000	16/08/2022
Derbyshire County Council	5,000,000	19/08/2022
South Northamptonshire / West Northamptonshire	2,000,000	15/12/2022
East Sussex County Council	5,000,000	13/01/2023
PWLB - ref 506477	21,000,000	19/10/2024
PWLB - ref 116158	6,000,000	25/09/2025
PWLB - ref 114322	6,000,000	19/09/2026
PWLB - ref 507455	10,000,000	31/05/2028
PWLB - ref 116160	6,000,000	25/09/2029
PWLB - ref 114324	6,000,000	19/09/2030
PWLB - ref 507456	5,000,000	31/05/2033
PWLB - ref 116162	5,000,000	25/09/2034
PWLB - ref 114326	5,000,000	19/09/2035
PWLB - ref 507457	5,000,000	31/05/2048
TOTAL	179,000,000	

Investment performance for 3 months ended 30 June 2021

- 3.9 Funds available for investment are on a temporary basis, and the level of funds available is mainly dependent on the timing of precept payments, receipt of grants and funding of the Capital Programme.
- 3.10 In 2021-22 the Council expects to continue to receive lower income from its cash and short-dated money market investments than it did in previous years due to the ongoing low interest rate environment.
- 3.11 The table below shows the investment position during and at the end of the reporting period:

	Investment Amount	Interest Rate	Interest Earned Budget	Interest Earned Actual	Variance £
Apr-Jun 2021	£45.2m (average)	0.11% (annualised)	(£25k)	(£12k)	£13k
As at 30/6/21	£43.3m	0.09%	-	-	-

- 3.12 The table below shows average money-market rates for the reporting period:

Investment Benchmarking	Overnight	7-day	1-month	3-month
LIBOR	0.04%	0.04%	0.05%	0.08%

3.13 Interest receivable for the full year is forecast to be £66k below budget (adverse variance).

3.14 The Council's cash investments are held primarily for liquidity purposes and therefore are only available for relatively short-term deposits in a restricted selection of high-quality instruments, which often generate sub-LIBOR returns e.g. the UK Debt Management Office (part of HM Treasury) which is highly secure but earns only a low rate of interest.

3.15 A full list of current investments is shown below:

Counterparty	Principal Deposited £	Maturity Date / Notice period
<u>Fixed Term Deposits</u>		
DMADF	4,510,000	05/07/2021
Merseyside Police	2,000,000	01/07/2021
North Lanarkshire Council	4,000,000	15/07/2021
Stoke on Trent City Council	3,000,000	23/07/2021
Aberdeen City Council	3,000,000	23/08/2021
Surrey Heath BC	1,000,000	23/08/2021
Thurrock BC	2,000,000	14/10/2021
Lancashire County Council	2,000,000	01/11/2021
Slough BC	5,000,000	16/11/2021
Eastleigh BC	5,000,000	22/11/2021
Redcar & Cleveland BC	2,000,000	02/12/2021
South Cambridgeshire DC	2,000,000	16/12/2021
<u>Money Market Funds</u>		
Goldman Sachs Asset Management	5,000,000	Same day
Federated Investors UK	4,991,000	Same day
<u>Call Account</u>		
Handelsbanken	47,309	Same day
TOTAL	43,340,251	

Non-treasury investment activity.

3.16 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

- 3.17 As at 30 June 2021, the Council held £94.3m of investments in the form of shares (£33.1m) and loans (£61.2m) to subsidiary companies and other organisations, primarily Graven Hill and Crown House.
- 3.18 The loan elements of these non-treasury investments generate a higher rate of return than earned on treasury investments, but this reflects the additional risks to the Council of holding such investments.
- 3.19 For the 3 months to 30 June 2021 these loans have earned interest of £1.093m, a positive variance of £19k against budget income of £1.074m. The full year forecast is expected to show a positive variance of £103k.

Overall performance

- 3.20 The overall performance for the 3 months to 30 June 2021 is as follows:

	Budget £k	Actual £k	Variance £k
Borrowing costs*	611	568	(43)
Treasury income	(25)	(12)	13
Non-treasury income	(1,074)	(1,093)	(19)
Total cost/(income)	(488)	(537)	(49)

*Borrowing costs include finance lease and other interest of £63k.

- 3.21 The full year forecast is expected to show an overall adverse variance against budget of £88k:

	Budget £k	Actual £k	Variance £k
Borrowing costs	2,445	2,047	(399)
Treasury income	(101)	(35)	66
Non-treasury income	(4,296)	(4,399)	(103)
Total cost/(income)	(1,952)	(2,388)	(436)

Interest rate forecast

- 3.22 Our Treasury advisers, Link, are forecasting the Bank of England base rate to increase in quarter 2 of 2023 to 0.25% and in quarter 1 of 2024 to 0.50%.

4.0 Conclusion and Reasons for Recommendations

- 4.1 This report details the Treasury Performance for the Council for the period ending 30 June 2021. It is submitted to the Accounts, Audit and Risk Committee for information as required by the Treasury Management Code of Practice.

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. The variances to budget as noted above are included in the Monthly Performance, Finance and Risk Monitoring Report to Executive.

Comments checked by:

Michael Furness, Assistant Director of Finance

01295 221845, Michael.Furness@cherwell-dc.gov.uk

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@cherwell-dc.gov.uk

Risk 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, Head of Insight and Corporate Programmes

01295 221786, louise.tustian@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision: N/A

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All.

Links to Corporate Plan and Policy Framework

Links to all areas of Corporate Plan.

Lead Councillor

None.

Document Information

Appendix number and title

- None

Background papers

None

Report Author and contact details

Ian Robinson – Finance Business Partner

01295 221762, ian.robinson@cherwell-dc.gov.uk

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Cherwell District Council

Account Audit and Risk Committee

22 September 2021

Internal Audit Progress Report 2021/22

Report of the Director of Finance

This report is public

Purpose of report

The report presents the Internal Audit Progress report for 2021/22

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the progress with the 2021/22 Internal Audit Plan and the outcome of the completed audits.

2.0 Introduction

- 2.1 This report provides an update on the Internal Audit Service, including resources, completed and planned audits.
- 2.2 Each progress report includes the Executive Summaries from the individual Internal Audit reports finalised since the previous update to the committee and also an update on the implementation of agreed management actions.

3.0 Report Details

Resources

- 3.1 Since the last update to the June 2021 committee meeting, there have been no further changes to the Internal Audit or Counter Fraud resources. There are no vacant positions. One of our Senior Auditors went on maternity leave from the middle of June 2021. We are currently reviewing options to cover this absence.
- 3.2 We are continuing to support team members to compete both the Chartered Internal Audit Qualification and the Certified Internal Audit Qualification. Two of the Senior Auditors have recently passed one of the Certified Internal Audit exams,

their studies are continuing. The Assistant Auditor and Counter Fraud Intelligence Officer are undertaking apprenticeships.

2021/22 Plan Progress

- 3.3 The 2021/22 Internal Audit Plan, which was agreed at the June 2021 Accounts, Audit & Risk Committee, is attached as Appendix 1 to this report. This shows current progress with each audit. The plan and plan progress is reviewed quarterly with senior management.
- 3.4 Since the last update to the June 2021 committee, the audits Cyber Security Follow Up, ICT Remote Working, PCI (Payment Card Industry) Compliance have been completed. The executive summaries are included within Appendix 3 to this report.
- 3.5 An overall conclusion grading of Red has been provided for the audit of PCI Compliance. A management response/update has been included within Appendix 3 to accompany the executive summary.

Performance

- 3.6 The following performance indicators are monitored on a monthly basis.

Performance Measure	Target	% Performance Achieved for 21/22 audits (as at 02/09/2021)	Comments
Elapsed time between start of the audit (opening meeting) and exit meeting.	Target date agreed for each assignment by the Audit manager, stated on Terms of Reference, but should be no more than 3 X the total audit assignment days (excepting annual leave etc)	100%	(78% 2020/21)
Elapsed time for completion of audit work from exit meeting to issue of draft report.	15 days	100%	(100% 2020/21)
Elapsed time between issue of draft report and issue of Final Report.	15 days	0%*	(88% 2020/21)

*Based upon the issue of three final reports. Each did not meet PI – exceeded by 1-2 weeks for each report, due to additional time needed with officers to confirm agreement and develop robust action plans. Delays not considered to be significant, findings had already been raised through prompt issue of draft reports.

3.7 The other performance indicators are:

- % of 2021/22 planned audit activity completed by 30 April 2022 – reported at year end.
- % of management actions implemented – see para 3.9 below.

Implementation of Agreed Management –

3.8 Outstanding management actions from 2018/19 and 2019/20 audits were taken over for monitoring from the previous internal audit provider. At the time of reporting to the July 2020 Committee and handover from the previous internal audit provider there were 27 actions still open from 2018/19 and 40 actions still open from 2019/20 audits. As at 02 September 2021 this figure has reduced, there remains 6 open from 2018/19 and 5 open actions from 2019/20. Further detail is recorded in Appendix 2. These will continue to be reviewed and followed up with senior management throughout 2021.

3.9 We have agreed a total of 68 actions for the work completed as part of the 2020/21 Internal Audit Plan, 38 of these actions have been implemented and 6 have been superseded. Of the remaining 24 actions, 14 are not yet due for implementation, 5 are being implemented and 5 have recently become due. For the work completed so far during 2021/22, a total of 29 actions have been agreed. Of these 29 actions, 11 have been implemented, 15 are not yet due, 1 is being implemented and 2 have recently become due – these will be followed up throughout 2021.

4.0 Conclusion and Reasons for Recommendations

4.1 This report provides a progress update on delivery of the internal audit plan for 2021/22 and provides an update on the implementation of management actions for the committee to consider. The current plan for 21/22 is on target for delivery by the end of April 2022.

5.0 Consultation

Not applicable.

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: No alternative options have been identified as this report is for information only.

7.0 Implications

Financial and Resource Implications

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

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845
michael.furness@cherwell-dc.gov.uk

Legal Implications

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

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious, 01295 221695
richard.hawtin@cherwell-dc.gov.uk

Risk Implications

7.3 There are no risk management issues arising directly from this report.

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes, 01295 221786
louise.tustian@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision (N/A)

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

All corporate plan themes.

Lead Councillor

Councillor Tony Ilott – Lead Member for Financial Management.

Document Information

Appendix number and title

- Appendix 1 – Internal Audit Plan 2021/22 – Progress Update
- Appendix 2 – Outstanding Management Actions (as at 02/09/2021)
- Appendix 3 – Executive Summaries of finalised audits

Background papers

None

Report Author and contact details

Sarah Cox, Chief Internal Auditor, sarah.cox@cherwell-dc.gov.uk

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APPENDIX 1: 2022/22 CDC Internal Audit Plan – Progress Report

Audit	Planned Qtr Start	Status as at 02/09/21	Conclusion
Customers, OD & Resources – HR			
Well-being / Sickness Management	Q1	Fieldwork	
Customers, OD & Resources – HR / Finance			
Payroll	Q3/Q4	Not started	
Customers, OD & Resources – Finance			
Key Financial Systems	Q3/Q4	Not started	
Treasury Management	Q4	Not started	
Customers, OD & Resources – Finance / IT			
Payment Card Industry Data Security Standard (PCI-DSS)	Q1	Final Report	Red
Customers, OD & Resources – IT			
Cyber Security – Follow up	Q1	Final Report	Amber
IT Remote Working	Q1	Final Report	Amber
IT Infrastructure Management	Q4	Not started	
Customers, OD & Resources			
Revenues & Benefits	Q3	Not started	
CDAI – Information Governance			
GDPR	Q2	Draft Report	
Environment & Place			
Waste Collection	Q2	Scoping	
Various / Corporate / Cross Cutting			
Combined Audit & Counter Fraud Reviews	Q1-Q4	-	
Covid Funding / Payments	Q1-Q4	-	
Grants	Q1-Q4	-	

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Appendix 2 – Open management actions as at 02 September 2021.

2018/19 – outstanding open actions

Report Title	Total outstanding	Implemented	Superseded	Target date not reached or extended	Target date reached – overdue or being implemented
CDC GDPR 2018/19	1	-	-	-	1
CDC HR 2018/19	4	-	-	4	-
CDC Procurement & CM 2018/19	1	-	-	-	1
Totals	6	-	-	4	2

2019/20 – outstanding open actions

Report Title	Total outstanding	Implemented	Superseded	Target date not reached or extended	Target date reached – overdue or being implemented
CDC Payroll 2019/20	1	-	-	1	-
CDC Anti-Fraud & Corruption 2019/20	4	-	-	1	3
Totals	5	-	-	2	3

2020/21 – all actions

Report Title	Total agreed	Implemented	Superseded	Target date not reached or extended	Target date reached – overdue or being implemented
CDC Finance System Imp Phase 2 (b) ICT Risks 20/21	4	4	-	-	-
CDC DFG Processes 20/21	12	9	-	1	2
CDC Cyber Security 2020/21	15	9	6	-	-
CDC Finance System Imp Phase 2 ICT Risks 20/21	5	5	-	-	-
CDC DHP & HPHF 2020/21	5	-	-	4	1
CDC Finance System Imp Phase 3 20/21	4	3	-	1	-
CDC Payroll 20/21	14	8	-	3	3
CDC Revs and Bens 2020/21	9	-	-	5	4
Totals	68	38	6	14	10

APPENDIX 3 – Executive Summaries finalised since last update to Accounts, Audit & Risk Committee June 2021

CDC Cyber Security Follow Up 2021/22

Opinion: Amber	
Total: 9	Priority 1 = 0 Priority 2 = 9
Current Status:	
Implemented	4
Due not yet actioned	1
Partially complete	1
Not yet Due	3

Introduction

Cyber threats are not new, but the focus on cyber security remains important because of the number of high-profile security incidents and data breaches. Hackers, cyber-criminals and nation states have a range of motives for stealing, disrupting or destroying information and the IT systems that rely upon them. The consequences of a data breach include operational disruption, regulatory fines and reputational damage.

A review of Cyber Security was undertaken as part of the internal audit plan for 2020/21. The audit resulted in an “amber” conclusion and 15 management actions were agreed to address the areas of risk identified. Three supplementary issues were also raised.

Scope of work

The scope of this audit was limited to carrying out a follow-up of the agreed management actions to confirm their current status. Testing was undertaken to verify actions that are reported as being fully implemented.

Overall Conclusion

Our overall conclusion on the system of internal control relating to Cyber Security remains as Amber. Some progress has been made with agreed management actions but a number remain outstanding as detailed below.

Of the 15 ‘priority 2’ management actions arising from our Cyber Security review in 2020/21, 5 have been fully implemented, 3 partly implemented and one superseded. However, there are 6 actions which have not been completed and thus remain outstanding. These include the following:

- Ensuring corporate IT security policies cover key areas of cyber security;
- Developing the Cyber Threat document into a full Cyber Incident Response Plan;
- Commissioning a phishing test. The Cyber Security Officer has confirmed that this will form part of the Cyber Security Awareness Project which has recently been approved;
- Reviewing the users outside IT Services who have administrator access on certain servers;
- Displaying a network logon message to make all users aware of corporate IT security policies; and
- Reviewing the status of Windows Defender malware protection on all end points – this was addressed during the audit.

CDC IT Remote Working 2021/22

Overall conclusion on the system of internal control being maintained	A
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Corporate Policies	A	0	2
Remote Access Solution	G	0	1
Hardware Assets	A	0	4
Device Security	A	1	2
Collaboration Tools	G	0	1
		1	10

Opinion: Amber	
Total: 11	Priority 1 = 1 Priority 2 = 10
Current Status:	
Implemented	5
Due not yet actioned	1
Partially complete	0
Not yet Due	5

One of the biggest challenges posed by the Covid-19 pandemic was the need to rapidly move to remote/home working. Whilst the ability to work remotely was available before the pandemic, it had to be scaled up quickly to support the majority of staff working at home. A hybrid model of remote working is likely to remain for certain staff and hence it is important that the council has controls in place to manage the risk associated with this, especially in regard to data security.

There are corporate policies on remote working, namely the Home Working Policy and the IT Mobile Device Policy. The former is dated April 2013 and needs to be updated to include current standards and requirements for home working and neither policy makes any reference to remote access or the security and storage of paper records. The two policies also still refer to the Data Protection Act 1998, which was superseded in 2018.

Remote access to the corporate network, Microsoft Cloud and other cloud-based applications is subject to multi-factor authentication in accordance with good practice. This requires users to enter their network username and password, together with an additional level of authentication using either the Microsoft Authenticator App or a text message to a mobile phone. Microsoft conditional access is used to block remote access from certain high-risk countries. There are a small number of users who use Citrix for remote access and we found they are also subject to multi-factor authentication, although we noted that Citrix still supports an old security protocol with known security vulnerabilities which presents a cyber risk.

There is an inventory of computers and mobile devices. We have identified weaknesses in its management which presents a risk that individual assets cannot be identified or accounted for. The computer inventory is held within the IT service management tool but an error with a scheduled overnight task, identified during the audit, means the data has not been updated since March 2020. The staff leaver's process does not ensure that all IT equipment is returned and there are no records of the computer equipment held in storage and hence any missing or stolen items may not be quickly identified. Access to the computer inventory is also not adequately restricted to prevent unauthorised changes being made to data.

All computer laptops are encrypted and there is a security policy applied to mobile devices which requires them to be password protected and also encrypted. There are currently no tools to remotely wipe a lost or stolen mobile device, restrict the downloading of applications or access to certain services. This requires a mobile device management system which should be investigated. Users are not prevented from copying data onto untrusted USB storage devices and this poses a significant risk in regard to data protection compliance and cyber security. Some users are allowed to use personal devices to access corporate systems e.g. email, but they are not made aware of the "Bring Your Own Device" policy before their device is authorised for use, to ensure they are aware of their responsibilities.

There is a legacy collaboration tool called 8x8 but the main tool is Microsoft Teams, which comes with user guidance documents and videos that available on the agile working pages of the Intranet. A review of the meetings policy on Teams identified a risk as it is not locked down to prevent unauthorised users from accessing online meetings.

CDC PCI DSS Compliance 2021/22

Overall conclusion on the system of internal control being maintained	R
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Corporate Structure	R	1	0
PCI Scope	R	0	2
PCI Security Controls	R	2	3
Network Security Scans	A	0	1
		3	6

Opinion: Red	
Total: 9	Priority 1 = 3 Priority 2 = 6
Current Status:	
Implemented	2
Due not yet actioned	0
Partially complete	0
Not yet Due	7

All organisations that store, process or transmit cardholder data must comply with the Payment Card Industry Data Security Standard (PCI DSS). PCI DSS defines technical and operational security requirements set by the PCI Security Standards Council to protect all cardholder data.

Our sample testing has not identified any service areas where the council hold card payment details. However, card payments are taken by a number of services, mainly via the Capita Pay360 payment system, and thus there is an obligation on the council to ensure such payments are taken securely in accordance with PCI DSS. We have found there is currently a weak control framework over PCI compliance, resulting in a number of key risks, including potential fines, penalties and reputational damage as a result of cardholder data being compromised. The key issues identified are:

- The organisation's overall approach to meeting PCI requirements is not set out in a formal policy;
- PCI roles and responsibilities are not defined and thus there is no ownership of compliance activities;
- All merchant activities have not been identified i.e. areas of the council where card payments are taken, including how they are taken e.g. on-line, telephone, face-to-face;
- The PCI environment is not scoped in terms of people, processes and technology to ensure a complete and accurate compliance assessment can be undertaken;
- A Self-Assessment Questionnaire (SAQ) is not completed annually, as required by PCI DSS, resulting in any gaps in control not being identified and remediated;
- The PCI compliance status of third-party service providers is not verified to confirm that their processing complies with PCI requirements and there are also no documented procedures for managing these third-parties;
- There is no documented procedure for dealing with telephone calls in the contact centre that do not stop recording when card payments are taken and we have found that such recordings are not always deleted;
- Staff who take card payments have not been provided with any training or awareness on PCI requirements and thus may not be aware of their responsibilities for securing card details; and
- Security scans are not currently performed as it has not been confirmed if they are required. The need for security scans is dependent on merchant activities and the relevant SAQ (see above).

Our testing has confirmed that all users have unique accounts on the Capita Pay360 payment application and the password policy complies with PCI requirements.

PCI DSS Internal Audit Report 2021/22 – Management Response

Finance is grateful to the Internal Audit Team for bringing the recommended management actions identified in CDC's control framework over PCI compliance to our attention. This gives us the opportunity to make improvements to our processes. All of the audit findings and suggested management actions have been accepted.

The Council is working with its partners that already have significant experience of PCI compliance. They are providing significant support to help the Council to swiftly develop

and implement the necessary policies and procedures and to guide us through the remaining actions the Council needs to take.

The Council is prioritising the implementation of these actions and has already developed a Credit/Debit Card Income Collection Policy which was approved on 28 July 2021; this is the overarching policy for PCI. A number of policies that will sit below this are now being developed and finalised. Additionally, new chip and pin machines have been installed where necessary.

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Agenda Item 13

Account Audit & Risk Committee Work Programme 2021 -2022

17 November 2021	Treasury Management Q2 2021/22 Performance, Finance and Risk Monitoring Report - Q2 - September 2021 Counter Fraud Update 2021/22 Appointment of PSAA to Undertake Auditor Appointments
19 January 2022	Internal Audit Progress Update 2021/22 Draft Capital and Investment Strategy and Treasury Management Strategy 2022/23
16 March 2022	Counter Fraud Update 2021/22 Annual Report of AARC Performance, Finance and Risk Monitoring Report - Q3 - December 2021 Treasury Management Q2 2021/22 Housing Benefit Subsidy Audit Housing Benefit Risk Based Verification Policy External Audit Update

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