Public Document Pack

Committee: **Accounts, Audit and Risk Committee**

Date: **Wednesday 19 January 2022**

Time: **6.30 pm**

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

Membership

Councillor Mike Kerford-Byrnes (Chairman)
Councillor Hugo Brown (Vice-Chairman)
Councillor Andrew Beere
Councillor Conrad Copeland
Councillor Nicholas Mawer
Councillor Adam Nell
Councillor Tom Wallis
Councillor Sean Woodcock

AGENDA

1. Apologies for Absence and Notification of Substitute Members

2. Declarations of Interest

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

3. Petitions and Requests to Address the Meeting

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

4. Minutes (Pages 5 - 8)

To confirm as a correct record the Minutes of the meeting of the Committee held on 17 November 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. Internal Audit Progress Report 2021/22 (Pages 9 - 22)

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.

8. Statement of Accounts Update (Pages 23 - 28)

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 agree that:

1.1 The revised Comprehensive Income and Expenditure Statement (CIES) in the Draft Statement of Accounts 2020/21 (Appendix 1), be endorsed along with necessary changes to supporting statements and notes.

1.2 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.

1.3 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.

9. Annual Governance Statement 2020/2021 - Update on Actions (Pages 29 - 36)

Report of Director of Law and Governance and Monitoring Officer

Purpose of report

To consider an update on actions from the Annual Governance Statement (AGS) 2020/2021.

Recommendations

The meeting is recommended:

1.1 To consider and comment on the update on the actions arising from the Annual Governance Statement 2020/2021.

10. Appointment of Independent Member to the Committee (Pages 37 - 46)

Report of Director of Law & Governance and Monitoring Officer

Purpose of report

To consider and agreed the proposed arrangements for the appointment of an Independent Member to s the Accounts Audit and Risk Committee.

Recommendations

The meeting is recommended:

1.1 To agree to recruit an Independent Member to the Accounts, Audit and Risk Committee.

1.2 To consider and approve the proposed arrangements for the appointment of an Independent Member as set out at paragraphs 3.1 and 3.2.

1.3 To approve the Background Information (Appendix 1) and Independent Member specification (Appendix 2) and if any amendments are required, to delegate final approval to the Monitoring Officer, in consultation with the Chairman of the Committee.

1.4 To delegate authority to the Monitoring Officer, in consultation with the Chairman of the Accounts, Audit and Risk Committee, to finalise the recruitment pack.

11. Capital, Investment and Treasury Management Strategies 2022-23 (Pages 47 - 84)

Report of the Director of Finance

Purpose of report

To submit the draft Capital and Investment Strategy and Treasury Management Strategy for 2022-23.

Recommendations

The meeting is recommended:

1.1 To recommend the draft strategies for 2022-23 to Council.

12. **Work Programme** (Pages 85 - 88)

To consider and review the Work Programme and Committee training Schedule.

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 11 January 2022

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 17 November 2021 at 6.30 pm

Present:

Councillor Mike Kerford-Byrnes (Chairman)
Councillor Hugo Brown (Vice-Chairman)
Councillor Matt Hodgson
Councillor Nicholas Mawer
Councillor Adam Nell
Councillor Sean Woodcock
Councillor Patrick Clarke

Substitute Members:

Councillor Patrick Clarke (in place of Councillor Tom Wallis)

Also Present:

Councillor Barry Wood, Leader of the Council
Maria Grindley, Associate Partner, Ernst & Young (external audit)
Sue Gill, Ernst & Young (external audit)

Apologies for absence:

Councillor Conrad Copeland
Councillor Tom Wallis

Officers:

Lorna Baxter, Director of Finance & Section 151 Officer
Anita Bradley, Director Law and Governance & Monitoring Officer
Michael Furness, Assistant Director of Finance
Sarah Cox, Chief Internal Auditor
Tessa Clayton, Audit Manager
Celia Prado-Teeling, Performance Team Leader
Houdesh Luchmun, Insight Analyst
Sharon Hickson, Democratic and Elections Officer

39 **Declarations of Interest**

There were no declarations of interest.

40 Petitions and Requests to Address the Meeting

There were no petitions or requests to address the meeting.

41 Minutes

The Minutes of the meeting of the Committee held on 22 September 2021 were agreed as a correct record and signed by the Chairman.

42 Chairman's Announcements

There were no chairman's announcements.

43 Urgent Business

There were no items of urgent business.

44 Monthly Performance, Risk and Finance Monitoring Report

The Director of Finance and Head of Insight and Corporate Programmes submitted a report which summarised the Council's Performance, Risk and Finance monitoring positions as at the end of September 2021/Quarter 2.

The Chairman reminded Members that the Committee was responsible for monitoring the risk aspects of the report.

Resolved

(1) That the risk aspect of the monthly Performance, Risk and Finance Monitoring Report be noted.

45 Update on Counter Fraud Annual Plan 2021/22

The Director of Finance submitted a report which summarised the activity against the Annual Plan for the Counter-Fraud service at Cherwell District Council for 2021/22.

Resolved

(1) That the summary of activity against the Annual Counter Fraud Plan for 2021/22 be noted.

46 Treasury Management Report - Q2 (September 2021)

The Director of Finance submitted a report which provided information on treasury management performance and compliance with treasury management policy for 2021-22 as required by the Treasury Management Code of Practice.

Resolved

(1) That the contents of the Q2 (September 2021) Treasury Management Report be noted.

47 **Appointment of External Auditors**

The Director of Finance submitted a report requesting the Accounts Audit and Risk Committee to make a recommendation to Council for how external auditors will be appointed from the financial year 2023/24.

Resolved

(1) That Full Councill be recommended to allow Public Sector Audit Appointments to appoint external auditors on behalf of the Council.

48 **Work Programme**

The Assistant Director of Finance informed Members that two more items would be added to the January Meeting: “Annual Governance Statement 2021 Update” and “External Auditors Annual Report and Value for Money Commentary”.

The Assistant Director of Finance informed members that a training programme was being devised with training session dates to be confirmed.

Resolved

(1) That subject to “Annual Governance Statement 2021 Update” and “External Auditors Annual report and Value for Money Commentary” being added to the January meeting, the work programme be noted.

The meeting ended at 7.09 pm

Chairman:

Date:

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Cherwell District Council

Account Audit and Risk Committee

19 January 2022

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 A full update on resources was made to the Accounts, Audit & Risk Committee in June 2021 as part of the Internal Audit Strategy and Plan for 2021/22. There are currently no vacancies within Internal Audit / Counter Fraud.

3.2 One of the new Senior Auditors who commenced in November 2020, went on maternity leave from the middle of June 2021. She is due back in quarter 4. We have arranged a temporary resource to cover some of the work, he will be with us from the beginning of January to the end of March 2022.

3.3 We are continuing to support team members to complete 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 Audit Manager and other Senior Auditor are due to sit their final exam of the Chartered level in the new year. The Assistant Auditor and Counter Fraud Intelligence Officer are undertaking apprenticeships.

2021/22 Plan Progress

3.4 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 are reviewed quarterly with senior management.

3.5 Since the last update to the September 2021 committee, the audit of GDPR (General Data Protection Regulation) has been completed. The executive summary is included within Appendix 3 to this report.

3.6 An amendment to the plan has been agreed with the Director of Finance. The audit of Revenues and Benefits which was planned for quarter 4 has been deferred until quarter 1 of the 2022/23 plan, due to the current work being undertaken to build the new team, since the service has returned to the Council. The reasons for this deferral are explained in more detail in an update provided by management (in the following para's - 3.7 and 3.8). The actions agreed at the last audit are still outstanding. These will be followed up as part of the 2022/23 audit.

Management update re position of Revenues and Benefits Service:

3.7 The Revenues and Benefits service returned to the Council on the 8th November. Recruitment to the vacant Revenue and Benefits Officers roles has been successful with staff now undergoing comprehensive systems and legislation training. Consequently, staff are not expected to be fully trained to manage their own workload until March and during this transition period there has been an expected delay in processing work. Agency staff were initially retained to provide support, but the majority have relocated as their contracts have approached their end dates. The delays have been compounded by the influence of the pandemic on service delivery with substantial increases in the receipt of new benefit claims and changes in circumstance, increased and extended test and trace schemes and the introduction of new business grants and changes to business rate relief schemes. The fully trained resources available are prioritised to address the extra workload which has resulted in delays in implementing the agreed management actions from the previous audit.

3.8 During December both the Revenues and Benefits Manager and the Benefits and Performance were appointed on a permanent basis although, we are awaiting confirmation of references for the latter. Both employees are actively engaged in managing the previously mentioned work issues and in addition, for the period from January to March 2022 they will be required to oversee and test software releases for annual billing and benefits uprating.

Performance

3.9 The following performance indicators are monitored on a monthly basis.

Performance Measure	Target	% Performance Achieved for 21/22 audits (as at 30/12/2021)	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 four 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 are not considered to be significant, as findings had already been raised through prompt issue of draft reports. Review of PIs planned for start of 2022/23 plan.

3.10 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 paragraphs below.

Implementation of Agreed Management –

3.11 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 of 30 December 2021, this figure has reduced, there remains 5 open from 2018/19 and 2 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.

3.12 We agreed a total of 68 actions for the work completed as part of the 2020/21 Internal Audit Plan, 43 of these actions have been implemented and 6 have been superseded. Of the remaining 19 actions, 5 are not yet due for implementation, and 14 have recently become due. For the work completed so far during 2021/22, a total of 38 actions have been agreed. Of these 38 actions, 17 have been implemented, 20 are not yet due, 1 is being implemented – 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 The 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, 07702917916
christopher.mace@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

APPENDIX 1: 2022/22 CDC Internal Audit Plan – Progress Report

Audit	Planned Qtr Start	Status as at 31/12/21	Conclusion
Customers, OD & Resources – HR			
Well-being / Sickness Management	Q1	Fieldwork	
Customers, OD & Resources – HR / Finance			
Payroll	Q3/Q4	Planned for Q4	
Customers, OD & Resources – Finance			
Key Financial Systems	Q3/Q4	Planned for Q4	
Treasury Management	Q4	Planned for Q4	
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	Planned for Q4	
Customers, OD & Resources			
Revenues & Benefits	Q3	Audit deferred until Q1 of 2022/23 plan	-
CDAI – Information Governance			
GDPR	Q2	Final Report	Amber
Environment & Place			
Waste Collection	Q2	Fieldwork	
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 30 December 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 HR 2018/19	4	-	-	4	-
CDC Procurement & CM 2018/19	1	-	-	1	-
Totals	**5**	**-**	**-**	**5**	**-**

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	2	-	-	1	1
Totals	**3**	**-**	**-**	**2**	**1**

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	11	-	1	-
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	-	-	-	5
CDC Finance System Imp Phase 3 20/21	4	3	-	1	-
CDC Payroll 20/21	14	11	-	3	-
CDC Revs and Bens 2020/21	9	-	-	-	9
Totals	**68**	**43**	**6**	**5**	**14**

2021/22 - all actions

Report Title	Total agreed	Implemented	Superseded	Target date not reached or extended	Target date reached – overdue or being implemented
CDC PCI 2021/22	9	4	-	3	2
CDC IT Remote Working 21/22	11	7	-	3	1
CDC GDPR 21/22	9	-	-	7	2
CDC Cyber Security Follow Up 21/22	9	6	-	1	2
Totals	**36**	**17**	**-**	**14**	**7**

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APPENDIX 3 – Executive Summaries finalised since last update to Accounts, Audit & Risk Committee September 2021

GDPR 2021/22

Overall conclusion on the system of internal control being maintained	**A**

RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Corporate Policy	**R**	**0**	**1**
Governance Structure	**R**	**1**	**1**
Information Audit	**R**	**1**	**0**
Privacy Notice	**A**	**0**	**2**
Data Subject Rights	**G**	**0**	**0**
Data Breaches	**A**	**0**	**1**
Privacy by Design	**A**	**0**	**2**
		2	**7**

Opinion: Amber	
Total: 9	Priority 1 = 2 Priority 2 = 7
Current Status:	
Implemented	0
Due not yet actioned	0
Partially complete	0
Not yet Due	9

The UK GDPR (General Data Protection Regulation) 2021 and the Data Protection Act 2018 collectively set out the UK's data protection regime. The UK GDPR incorporates the EU GDPR regulation into UK law, following withdrawal from the European Union.

We have identified several control weaknesses which pose a risk in terms of data protection compliance. There is no formally documented corporate policy setting out the organisation's approach to meeting its data protection obligations and there is an outstanding management action, from the previous audit on GDPR in 2018/19, to put in place a data retention policy to comply with the storage limitation requirement of GDPR. These are key policies required to support the organisation's data protection compliance regime. The Council has a current data protection registration which expires in March 2022.

The Data Protection Officer (DPO) role, which is mandatory for all public authority's, is shared with OCC and performed by the Information Services Manager. There are no further defined roles and responsibilities for data protection at the Council and thus no ownership of compliance obligations at a service level to support the DPO. CDC require all staff to undertake annual training on data protection and there is a course for staff which has an 85% completion rate and another for managers which has a 70% completion rate. Improvement to the completion rate for both courses would help ensure staff are fully aware of their data protection responsibilities.

One of the key changes introduced by GDPR is the requirement to maintain records of all processing activities, which is important as it supports good data governance and helps demonstrate compliance with UK GDPR. Information Asset Registers have recently been developed as records of processing activities, but we found they are incomplete and do not capture all relevant details.

Privacy notices need to be improved to ensure the individual's right to be informed about the use of their personal data is respected. The privacy notice on the corporate website is inaccurate in regard to the DPO role, does not include all required details and has not been reviewed since July 2018. We also identified a number of paper forms that collect personal data and do not have a privacy notice or has one that does not meet GDPR standards.

There is a procedure for dealing with subject access requests and other information rights, which are managed by the Information Management team. All requests are logged and the authenticity of the requesting person is confirmed as part of the process. There are no significant risks in this area.

The Information Security Management Policy and Procedure is out-of-date and hence a risk that data breaches are not effectively managed or reported. Specifically, that significant breaches may not be reported to the Information Commissioner's Office within 72hrs as required by UK GDPR.

Data Protection Impact Assessments (DPIA's) are performed to help identify and minimise the data protection risks of a project. There is a comprehensive template available to support these reviews but the process for carrying them out is not documented and hence roles, responsibilities and sign-off requirements are unclear. Our review of the process for completing the DPIA's identified issues around the recording of DPO comments.

There were 12 management actions agreed in the 2018/19 audit of GDPR, 11 of which have been closed by management on the basis of being implemented. The one outstanding action relates to having a documented retention policy as reported above. Of the 11 closed actions, we have identified two that have not been fully implemented, which relate to a review of 'consent' and the completeness of Information Asset Registers. These have been raised again in this report.

Cherwell District Council

Accounts Audit and Risk Committee

19 January 2022

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 agree that:

1.1 The revised Comprehensive Income and Expenditure Statement (CIES) in the Draft Statement of Accounts 2020/21 (Appendix 1), be endorsed along with necessary changes to supporting statements and notes.

1.2 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.

1.3 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.

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.

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 In preparation for the 2021/22 year-end, Council officers have determined that three items have been incorrectly presented within the CIES. Neither impacts on the bottom line of the CIES but, as the audit of 2020/21 has not been finalised, the Council has the opportunity to correct the presentation of the 2020/21CIES, including the restatement of 2019/20's CIES.

3.3 The first correction relates to the (gains)/losses arising from the revaluation of some property assets which have been incorrectly presented on the Financing and Investment (Income) and Expenditure line when they should have been accounted for within the Cost of Services (£1.5m). This was also incorrect in 2019/20 and so 2019/20 has been restated (£10.9m).

3.4 The second relates to the net interest charge in relation to the net pension liability which is included within the Financing and Investment (Income) and Expenditure line, but which has incorrectly been accounted for as income rather than as expenditure (£1.7m). This was also incorrect in 2019/20 and so 2019/20 has been restated (£2.4m).

3.5 The third relates to internal recharges. The income from these has been shown as income in the Cost of Services, rather than netting off against the expenditure arising which, if not corrected, has the effect of overstating the Council's income (£0.6m). This was also incorrect in 2019/20 but is not material so does not require a restatement.

3.5 The Appendix to this report provides a version of the CIES which incorporates the changes to the draft agreed by Committee in September 2021 and a second version which incorporates the above changes that the Council intends to make to the final CIES. There will also be corresponding changes required to the cash flow statement, Expenditure and Funding Analysis and some supporting notes to the Statement of Accounts.

4.0 Conclusion and Reasons for Recommendations

4.1 The external audit has not yet reached its conclusion and so the CIES and associated changes in the final statement of accounts can be approved by the Committee.

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, 07702917916, christopher.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 – Comprehensive Income and Expenditure Statement

Reference Papers

Draft Statement of Accounts 2020/21
https://www.cherwell.gov.uk/downloads/download/346/statement-of-accounts-and-annual-audit

Background Papers

None

Report Author and contact details
Joanne Kaye, Strategic Finance Business Partner, 01295 221545,
joanne.kaye@cherwell-dc.gov.uk

Appendix 1

Comprehensive (Income) and Expenditure Statement

Including changes from published draft which were approved by Committee in September 2021

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	(43,758)	(43,758)
105,073	**(87,975)**	**17,098**		**(Surplus) or Deficit on Provision of Services**	**121,465**	**(102,517)**	**18,948**
		(9,046)	14	(Surplus) or deficit on revaluation of Property, Plant and Equipment			2,963
		(31,312)	37	Remeasurement of the net defined benefit liability / (asset)			23,517
		(40,358)		**Other Comprehensive (Income) and Expenditure**			**26,480**
		(23,260)		**Total Comprehensive (Income) and Expenditure**			**45,428**

Appendix 1

Comprehensive (Income) and Expenditure Statement

Including changes from published draft which were approved by Committee in September 2021 and the changes in this report

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
2,858	(1,510)	1,348		Comm Dev Assets and Invests	9,811	(1,105)	8,706
37,096	(29,248)	7,848		Cust and Org Dev & Resources	36,014	(29,573)	6,441
26,198	(10,222)	15,977		Environment & Place	37,440	(13,689)	23,751
9,586	(1,787)	7,799		Public Health and Wellbeing	4,060	(2,190)	1,870
80,638	**(43,944)**	**36,694**		**Cost of Services**	**92,163**	**(48,581)**	**43,582**
5,480	(1,666)	3,814	10	Other Operating Expenditure	5,713	0	5,713
21,357	(10,031)	11,326	11	Financing and Investment (Income) and Expenditure	24,705	(11,294)	13,411
0	(34,736)	(34,736)	12	Taxation and Non-Specific Grant (Income)	0	(43,758)	(43,758)
107,475	**(90,377)**	**17,098**		**(Surplus) or Deficit on Provision of Services**	**122,581**	**(103,633)**	**18,948**
		(9,046)	14	(Surplus) or deficit on revaluation of Property, Plant and Equipment			2,963
		(31,312)	37	Remeasurement of the net defined benefit liability / (asset)			23,517
		(40,358)		**Other Comprehensive (Income) and Expenditure**			**26,480**
		(23,260)		**Total Comprehensive (Income) and Expenditure**			**45,428**

Cherwell District Council

Accounts, Audit and Risk Committee

19 January 2021

Annual Governance Statement 2020/2021 – Update on Actions

Report of Director of Law and Governance and Monitoring Officer

This report is public

Purpose of report

To consider an update on actions from the Annual Governance Statement (AGS) 2020/2021.

1.0 Recommendations

The meeting is recommended:

1.1 To consider and comment on the update on the actions arising from the Annual Governance Statement 2020/2021.

2.0 Introduction

2.1 At its 21 June 2021 meeting, the Accounts, Audit and Risk Committee (AARC) approved the Annual Governance Statement (AGS) for the financial year 2020/2021 (Minute 11 refers).

2.2 Local authorities are required to prepare an AGS to be transparent about their compliance with good governance principles and to give an opinion on the effectiveness of those arrangements. As part of the process, authorities are expected to highlight particular areas of focus for the year following. This report updates the Committee on the three particular areas of focus identified for 2021/22.

3.0 Report Details

Annual Governance Statement Actions for 2021/2022

3.1 The Annual Governance Statement outlined the following areas and expected outcomes for particular focus in 2021/22: Procurement, Governance arrangements (post COVID); Constitution Review; and Financial Management.

3.2 Officers will be in attendance at the meeting to speak to each of the updates, which are set out below under the relevant section of the Annual Governance Statement actions, and answer any queries from Committee members.

Procurement

Action now planning for 2021/22	**Timescale for completion**	**Responsible officer**	**Monitoring body**
• To develop an OCC/CDC Procurement Strategy and OCC/CDC Social Value Policy with CEDR fully sighted on both documents. Ensure all staff are fully briefed and trained on the content and their respective obligations. ○ The new Provision Cycle Hub and Spoke functional model will fully define contract management accountability across the Councils. To help fulfil this accountability the council will enhance its contract management systems and processes and provide a training programme to support contract management skills improvement.	A new joint procurement strategy will be presented to CEDR by end July 2021. The new Social Value Policy, including Climate Change elements, will be presented to CEDR by July 2021. It will be implemented as appropriate across all tenders from July 2021.	Head of Procurement & Contract Management	Corporate Governance Assurance Group
• The electronic Contract and Supplier Management System (eCMS) functionality has been enhanced and will continue to be reviewed as part of the Provision Cycle transformation programme. ○ This will include an improvement plan with the expectation to develop and implement improvements that will provide management and controls across the full cycle of Commissioning,	All contracts will be stored in the eCMS to demonstrate a complete Forward Plan in terms of current active contracts and renewal timescales. It will be a live document driving procurement engagement across all service areas.	Head of Procurement & Contract Management	

Action now planning for 2021/22	Timescale for completion	Responsible officer	Monitoring body
Procurement and Contract Management. o This will enable a consistent, council-wide approach enabling 100% visibility of requirements throughout the provision cycle, ensuring all contracts are effectively managed.			

Update

3.3 A Social Value Policy has been drafted and will be presented to the February 2022 Executive for review by Members. The Policy will apply to all tenders above a certain threshold value across both Oxfordshire County Council (OCC) and Cherwell District Council(CDC) and will involve the use of the third-party supplier Social Value Portal, who have provided this service for many other Councils across the UK.

3.4 There is a degree of flexibility to ensure that the selected topics for Social Value are relevant to that particular tender and will include elements relating to Carbon Net Zero: for example reductions in carbon emissions and air pollution, ensuring that the natural environment is safeguarded, and that resource efficiency and circular economy solutions are promoted. It is intended that this policy go live from April 2022.

3.5 The Procurement Strategy is in draft format, and will presented to CEDR (the senior leadership team) in due course, once the Social Value Policy has been approved.

3.6 The Atamis system continues to act as the central document repository for Procurement. All tenders, contracts, and extensions are stored within it, enabling a Forward Plan to be created to identify which contracts will be up for renewal at what point. This covers both OCC and CDC.

Governance Arrangements

Action now planning for 2021/22	Timescale for completion	Responsible officer	Monitoring body
• The Corporate Governance Assurance Group will continue to monitor, support and engage with Corporate Lead areas so as to ensure that they are able	Ongoing throughout 2021/2022 Monthly review by Corporate Governance Assurance Group	Corporate Governance Assurance Group	

Action now planning for 2021/22	Timescale for completion	Responsible officer	Monitoring body
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.	Paper to ELT and CEDR in Q.2 and each Quarter thereafter to update on progress Local Code of Corporate Governance reviewed by ELT in Q2 for consideration by Accounts, Audit and Risk Committee in September or November. Report to Accounts, Audit and Risk Committee at September, November, January and March meetings on emerging governance issues post-COVID.		

Update

3.7 The Council's Corporate Governance Assurance Group (CGAG) has continued to meet monthly to oversee governance developments. The Group consists of the Monitoring Officer (as Chair) together with key governance officers including the Chief Internal Auditor, Assistant Finance Directors, Deputy Monitoring Officer (for OCC and CDC), the Head of Insight and Corporate Programmes and the Principal Governance Officer. CGAG is supported by the Council's governance officers.

3.8 An emphasis has been on closer working with CEDR and the Extended Leadership Team (ELT), that is, CEDR plus their direct senior manager reports, particularly in the development of a revised Local Code of Corporate Governance. A report on the purpose of the Code was taken to ELT in the summer with follow up work to conclude this in the New Year. A Local Code of Corporate Governance has been drafted with the oversight of CGAG and with input from ELT representatives.

3.9 Unlike the Annual Governance Statement, there is no statutory requirement for a Local Code of Corporate Governance. Rather, the Code complements and underpins the Annual Governance Statement by demonstrating, with evidence, how the Council meets the good governance principles set out in the Good Governance Framework published by the Chartered Institute of Finance and Accountancy.

3.10 CGAG is also working with ELT, and then with CEDR, to bring forward a draft Annual Governance Statement for 2021/22, which will then be brought to this committee.

3.11 The Council has also overseen the return to physical settings of the formal democratic decision making meetings of the Council, fully compliant with public health advice. This has been achieved while also retaining the virtual engagement from the public as well as webcasting of meetings, with the option for the public to attend in person.

3.12 Additionally, the Council has taken steps to commence the annual Constitution Review as set out below.

Constitution Review

Action now planning for 2021/22	**Timescale for completion**	**Responsible officer**	**Monitoring body**
• Undertake an Annual Review of the Constitution, as agreed by Council in 2020, to take place during the Autumn	The Overview and Scrutiny Committee (OSC) to agree the scope and means of achieving the Annual Review of the Constitution (October 2021). Review to take place October-November OSC (Nov 2021) to make recommendations for any substantive change to Council (December 2021).	The Monitoring Officer	Overview and Scrutiny Committee

Update

3.13 The Council has agreed to undertake an annual review of the Constitution under the oversight of the Overview and Scrutiny Committee. The review has been delayed and is running from December 2021 to May 2022.

3.14 The Overview and Scrutiny Committee agreed Terms of Reference for the Constitution Review Working Group at its 30 November 2021 meeting. This included the scope for the review. (Minute 35, resolution (2) refers)

3.15 At its 15 March 2022 meeting, the Overview & Scrutiny Committee will consider proposals from the working group and make recommendations to Full Council.

3.16 Full Council will consider recommendations from the Overview & Scrutiny Committee with a view to their adoption at its 18 May 2022 meeting.

Financial Monitoring

Action now planning for 2021/22	**Timescale for completion**	**Responsible officer**	**Monitoring body**
• Implement budget monitoring that considers	Begin monitoring of balance sheet items in	S151 Officer	Budget Planning

Action now planning for 2021/22	Timescale for completion	Responsible officer	Monitoring body
balance sheet items including reserves and outstanding debt	Period 2 of 2021/22. As the closedown process finishes enhance the process throughout the year.		Committee

3.17 The Council has introduced monthly monitoring of its reserves with changes in the budgeted use of earmarked reserves and/or general balances requiring approval by the Executive. This offers the Council far greater understanding of its reserves position and the affordability of agreeing to the additional use of reserves.

3.18 Additionally, the Council has begun to monitor its aged debt position on a quarterly basis. This allows the Council to understand whether it is collecting the debt it is raised on a timely basis. The introduction of this monitoring has resulted in a review of the aged debt the Council holds to identify how collectible the debt is.

4.0 Conclusion and Reasons for Recommendations

4.1 In line with Annual Governance Statement process, this report provides an update on actions taken to date during 2021/2022 in respect of recommended actions arising from the 2020/2021 Annual Governance Statement.

5.0 Consultation

Senior officers for each area have been consulted and provided updates on progress as set out in section 3 of this report

6.0 Alternative Options and Reasons for Rejection

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

Option 1: Not to note the update. This is not recommended as it is good practice for the Committee to review progress against actions arising from the Annual Governance Statement.

7.0 Implications

Financial and Resource Implications

7.1 There are no financial implications arising directly to, or arising from, the recommendation in the report.

Comments checked by:
Michael Furness, Assistant Director – Finance
01295 221845, Michael.furness@Cherwell-dc.gov.uk

Legal Implications

7.2 The Council has a legal duty to agree an Annual Governance Statement. This report does not itself raise legal implications but this update on the actions arising from last year's AGS is consistent with the responsibility of this Committee to ensure the effectiveness of the Council's governance.

Comments checked by:
Christopher Mace, Solicitor.
07702917916, Christopher.mace@cherwell-dc.gov.uk,

Risk Implications

7.3 If there were no progress against the recommended actions arising from the 2020/2021 Annual Governance Statement, this may impact on the governance of the Council.

Comments checked by:
Louise Tustian, Head of Insight and Corporate Programmes, 01295 221786
Louise.tustian@cherwell-dc.gov.uk

Equalities and Inclusion Implications

7.4 The recommendations in this report do not themselves raise equality implications. However, the effectiveness and inclusivity of the Council's governance arrangements are integral to the effective running of the Council and of the outcomes for the community.

Comments checked by:
Steven Fairhurst Jones, Acting Policy Team Leader,
07392 318 890, steven.fairhurstjones@cherwell-DC.gov.uk

8.0 Decision Information

Key Decision

Financial Threshold Met: **N/A**

Community Impact Threshold Met: **NA**

Wards Affected

All

Links to Corporate Plan and Policy Framework

N/A

Lead Councillor

N/A

Document Information

Appendix number and title

- None

Background papers

None

Report Author and contact details

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Cherwell District Council

Accounts, Audit & Risk Committee

19 January 2022

Appointment of Independent Member to the Committee

Report of Director of Law & Governance and Monitoring Officer

This report is public

Purpose of report

To consider and agreed the proposed arrangements for the appointment of an Independent Member to s the Accounts Audit and Risk Committee.

1.0 Recommendations

The meeting is recommended:

1.1 To agree to recruit an Independent Member to the Accounts, Audit and Risk Committee.

1.2 To consider and approve the proposed arrangements for the appointment of an Independent Member as set out at paragraphs 3.1 and 3.2.

1.3 To approve the Background Information (Appendix 1) and Independent Member specification (Appendix 2) and if any amendments are required, to delegate final approval to the Monitoring Officer, in consultation with the Chairman of the Committee.

1.4 To delegate authority to the Monitoring Officer, in consultation with the Chairman of the Accounts, Audit and Risk Committee, to finalise the recruitment pack.

2.0 Introduction

2.1 It is not a statutory requirement for the Council to appoint an Independent Co-opted Member of the Committee, as it is for other public sectors. , It is, however, best practice to do so and many local authorities include Independent Members on their audit committees as this is seen as strengthening the internal control and governance of the authority. Independent Members with appropriate skills and experience can supplement those of elected Members and improve the effectiveness of audit committees.

2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) publishes best practice guidance to support the work of audit committees in local authorities. In the

2018 publication “Audit Committees: Practical Guidance for Local Authorities and Police” , CIPFA “endorses the approach of mandating the inclusion of a lay or independent member and recommends that those authorities, for whom it is not a requirement, actively explore the appointment of an independent member to the committee”.

2.2 The guidance notes two key benefits of appointing an Independent Member:

a) To bring additional knowledge and expertise
b) To reinforce the political neutrality and independence of the committee

2.3 The Redmond Review commissioned by the then Department for Housing Communities and Local Government in late 2019 reviewed the arrangements in place to support the transparency and quality of local authority financial reporting. The findings were published in September 2020 and recommendations included that consideration should be given to the appointment of at least one independent member, suitably qualified, to local authority Audit Committees. The Government, in its published response to the review in December 2020 accepted this recommendation.

3.0 Report Details

3.1 Independent Persons are non-councillors who are suitable qualified with experience in the area of audit/governance and bring specialist knowledge and insight to the workings and deliberations of the audit committee.

3.2 The CIPFA guidance is clear that the Independent Member position should be publicly advertised and that appointments should be for a fixed term to enable a refresh from time to time. As such, it is proposed that the role be advertised for a two year fixed term, renewable once. It is proposed that the review of any expressions of interest and interviews be carried out by the Director of Law and Governance & Monitoring Officer and the Director of Finance & Section 151 Officer and either the Chairman or Vice-Chairman of this Committee.

3.3 The decision to appoint an Independent Member to the Accounts, Audit and Risk Committee rests with Full Council. Following the recruitment process, the Director of Law and Governance & Monitoring Officer would submit a report to Full Council on any potential appointment for Council to make any such decision to appoint. The report would also seek Council agreement to amend the Terms of Reference of the Accounts, Audit and Risk Committee to include an Independent Member (non-voting) as part of the Committee.

3.4 Appendix 1, Background information, and Appendix 2, Independent Member Specification, would form part of the information provided as part of the public advertisement. Assessment would reflect the knowledge and skills framework appended to the CIPFA guidance.

3.5 The Independent Member would not have voting rights on decisions coming before this Committee in the same way as elected members of the Committee. Rather, the Independent Member would be part of the Committee in an advisory and consultative manner and fully involved in the discussions on issues coming before the Committee.

3.6 Currently, the Council's Scheme of Members' Allowances includes a Special Responsibility Allowance (SRA) for co-opted members. The SRA is based on a recommendation of the Independent Remuneration Panel.. If a co-opted member were to be appointed to the Accounts, Audit and Risk Committee, the relevant remuneration is already in place

4.0 Conclusion and Reasons for Recommendations

4.1 In line with CIPFA best practice guidance, the Committee is recommended to approve the proposed approach for recruiting and appointing an Independent Co-opted Member to this Committee.

5.0 Consultation

Councillor Kerford-Byrnes, Chairman of the Accounts, Audit and Risk Committee, who is supportive of the proposal

6.0 Alternative Options and Reasons for Rejection

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

Option 1: Not to recruit and appoint an Independent Member. This is not recommended as the council would not be compliant with CIPFA published best practice guidance.

7.0 Implications

Financial and Resource Implications

7.1 The Councils' Members' Allowance Scheme sets an annual allowance of £768 and a travel/mileage allowance for co-opted members. This is provided for in the Members' Allowance budget.

7.2 A decision to proceed with a recruitment exercise for the appointment of an Independent Member would carry a modest financial cost which can be accommodated withing existing budgets.

Comments checked by:
Michael Furness, Assistant Director – Finance, 01295 221845, michael.furness@cherwell-dc.gov.uk

Legal Implications

7.3 A council's audit committee is established further to the Local Government Acts 1972 and 2000 and its purpose is to give assurance to elected Members and the public about the governance and financial reporting of the council.

7.4 Whilst there is no statutory requirement to appoint an Independent Member, rather it is considered best practice and the appointment of an Independent Member will assist and promote good governance.

Comments checked by: Chris Mace, Solicitor, 01295 221808, chris.mace@cherwell-dc.gov.uk

Risk Implications

7.3 The proposal to appoint an Independent Member to the Accounts, Audit and Risk Committee ensures compliance with CIPFA best practice guidance and seeks to address the risk that the effectiveness of the Committee may not be optimised through bringing in additional skills knowledge and expertise that add value to the experience and knowledge already provided by existing Members of the Committee.

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

Equalities and Inclusion Implications

7.4 The recruitment will be an open and fair process, in line with our commitment to equal opportunities in employment and will positively welcome applications from all sections of the community, working within the framework of the law and published codes of practice.

Comments checked by:
Emily Schofield, Acting Head of Strategy, 07881 311707, emily.schofield@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision (Executive reports only; state N/A if not Executive report)

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

Not applicable – the report is made pursuant to recommended best practice guidance

Lead Councillor

N/A

Document Information

Appendix number and title

- Appendix 1 – Background Information
- Appendix 2 – Independent Member Specification

Background papers

None

Report Author and contact details

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Appendix 1

CHERWELL DISTRICT COUNCIL

ACCOUNTS, AUDIT & RISK COMMITTEE – APPOINTMENT OF INDEPENDENT MEMBER

Background Information

Cherwell District Council is seeking to appoint an independent member to their audit committee.

Cherwell District Council operates a joint working arrangement with Oxfordshire County Council, who are also seeking to appoint an independent member for their audit committee. These are separate appointments and therefore each Council will undertake its own selection and interview process. Candidates may apply to serve on one or both committees.

About Us

Cherwell District Council represents and provides services to the residents and businesses of Banbury, Bicester, Kidlington and the rural parishes of north Oxfordshire.

In 2021/22 our funding was £22.4m, which funds a wide range of services that the council provides, including:

- Housing
- Environmental Health
- Leisure and recreation
- Planning and development
- Waste and recycling collection

The council is composed of 48 elected councillors. Full council meets six times a year and approves the overall policies and annual budget of the council. The Executive comprises the leader and nine other councillors. It meets every month and makes all key decisions unless the issue has been specifically delegated to an individual executive member. Meetings are normally held at council's offices at Bodicote House, near Banbury, Oxfordshire.

What are the responsibilities of the Audit Committee?

The primary purpose of the Accounts, Audit & Risk Committee is to provide independent assurance on the effectiveness of the control environment and corporate governance arrangements operating within the council. This is achieved by:

- reviewing the annual statement of accounts and annual governance statement.
- considering reports received from the internal and external auditors on work completed;
- monitoring the independence, objectivity and performance of the auditors;
- considering the effectiveness of the authority's risk management arrangements
- monitoring counter fraud plans and activities;
- reviewing the council's treasury management strategy and activities.

The committee's responsibilities are set out in the terms of reference, which are contained in the council's constitution. The committee reports annually regarding their work, to demonstrate how they have fulfilled their responsibilities.

What are Audit Committee Members expected to do?

Independent co-opted members are formally appointed to serve on the Council's audit committee for an agreed period of time.

Members are expected to read agenda papers sent prior to each meeting, attend meetings and participate in questioning officers about the contents of reports prepared for the committee's consideration.

Independent co-opted members may also be expected to attend training sessions and read other background information relevant to the working of the committee.

Appendix 2

CHERWELL DISTRICT COUNCIL

ACCOUNTS, AUDIT & RISK COMMITTEE – APPOINTMENT OF INDEPENDENT MEMBER

Person Specification

The successful candidate will be someone who:

- understands the importance of good governance and the responsibilities placed on those responsible for oversight of good governance
- shows an appreciation of the complex issues which can arise within any large and diverse organisation
- demonstrates a commitment to building a strong council with clearly articulated objectives and purpose
- has gained practical experience in financial or general management within a business or public sector environment
- understands the roles and purpose of internal and external audit
- understands the importance and benefits of good risk management
- demonstrates an understanding of the statutory duties and legislative requirements relevant to local government
- has good communication and interpersonal skills
- displays open-mindedness and impartiality
- is able to analyse, interpret and absorb information and evidence effectively and quickly
- understands and complies with confidentiality requirements

Previous experience of audit committee (or equivalent) experience would be desirable but is not essential.

Independent members should not be affiliated with a political party as this may result in potential conflicts of interest. They should also be willing to disclose to the council any matter which, if it became public, might damage the council's reputation.

Cherwell District Council seeks to reflect the views of all their residents and therefore welcome applications from members of all communities. The successful candidate should preferably be residents of Cherwell District or otherwise be able to demonstrate some direct connection.

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Cherwell District Council

Accounts, Audit and Risk Committee

19 January 2022

Capital, Investment and Treasury Management Strategies 2022-23

Report of the Director of Finance

This report is public

Purpose of report

To submit the draft Capital and Investment Strategy and Treasury Management Strategy for 2022-23.

1.0 Recommendations

The meeting is recommended:

1.1 To recommend the draft strategies for 2022-23 to Council.

2.0 Introduction

2.1 The Capital and Investment Strategy was introduced for 2019/20, to sit alongside the Treasury Management Strategy. These strategies meet, respectively, the requirements of the 2017 Prudential Code, the 2018 MHCLG Investment Guidance and the 2017 CIPFA Treasury Management Code of Practice.

3.0 Report Details

3.1 The **Capital Strategy** demonstrates how the council takes capital expenditure decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. It sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

3.2 The **Investment Strategy** relates only to non-treasury management investments. The purpose of the strategy is to demonstrate how the council:

- Makes investment decisions (governance, advice taken etc)
- Demonstrates investments are tied to corporate objectives
- Assesses and monitors risk
- Assesses and monitors return
- Ensures there is appropriate capacity, skills and culture to support its strategy

Investments which are covered by this strategy include such things as:

- Loans to third parties (e.g. subsidiaries, charities, businesses) [Service loans]
- Purchase of shares (in subsidiaries, businesses etc)
- Property

3.3 The **Treasury Management Strategy** sets out the Council's risk appetite and associated priorities in relation to security, liquidity and yield in respect of returns from various financial instruments.

4.0 Conclusion and Reasons for Recommendations

4.1 There is a requirement for full Council to approve the three strategies prior to the start of each financial year.

5.0 Consultation

5.1 None

6.0 Alternative Options and Reasons for Rejection

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

7.0 Implications

Financial and Resource Implications

7.1 There are no financial implications arising directly from any outcome of this report. The financial implications of are incorporated into the draft budget 202-23 and MTFS 2022-23 to 2026-27. Presentation of this report is in line with the CIPFA Code of Practice and Prudential Code

Comments checked by:
Michael Furness, Assistant Director – Finance
michael.furness@:cherwell-dc.gov.uk 01295 221845

Legal Implications

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

Comments checked by:
Chris Mace, Solicitor, christopher.mace@cherwell-dc.gov.uk, 07702 917916

Risk Management Implications

7.3 There are no risk management implications arising directly from any outcome of this report. Treasury management is itself the management of risk and therefore these strategies demonstrate how the council manages treasury, capital and investment risk. Risks escalated as and when necessary to the leadership risk register

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

8.0 Decision Information

Key Decision: **N/A**

Financial Threshold Met: **N/A**

Community Impact Threshold Met: **N/A**

Wards Affected

All wards are affected

Links to Corporate Plan and Policy Framework
Links to all areas of Corporate Plan

Lead Councillor
None

Document Information

Appendix number and title

- Appendix 1 – Capital and Investment Strategy 2022-23
- Appendix 2 - Treasury Management Strategy 2022-23

Background papers
None

Report Author and contact details
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Cherwell District Council

Capital and Investment Strategy 2022/23

A. Capital Strategy (Including Minimum Revenue Provision (MRP) Statement)

A1. Introduction

A1.1 The Prudential Code for Capital Finance sets out that in order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy. The capital strategy should set out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. The Strategy must be approved by full Council.

A1.2 The objectives of the Prudential Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved. This strategy should be read alongside and in conjunction with the Treasury Management Strategy and the Investment Strategy.

A2. Capital Expenditure and Financing

A2.1 Capital expenditure is where the Council spends money on assets, such as property or vehicles, which will be used for more than one year[1]. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year. In 2022/23, the Council is planning capital expenditure of £15.8m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
Services	9.7	12.5	0.0	0.0	0.0
Capital investments	56.8	36.4	15.8	1.3	1.5
TOTAL	**66.5**	**48.9**	**15.8**	**1.3**	**1.5**

A2.2 The main capital projects across the period include Castle Quay, Bicester Depot and the Disabled Facilities Grants scheme (financed by the Better Care Fund)

Governance

[1] For details of the Council's policy on capitalisation, see Financial Regulations

A2.3 Capital project bids linked to corporate or service priorities plus essential need are brought forward by Service Managers as part of the Budget & Business Planning process. These are considered by the senior officer leadership team, both in terms of priority and affordability. The Finance team undertake a calculation of the financing cost of proposals and recommend the level of investment based on affordability. Projects proposed to be included in the Council's capital programme are then considered and appraised by the Budget Planning Committee and provide comments to the Executive on the proposals. The Executive then, taking into consideration any comments, propose which schemes to include in the Capital Programme ahead of the final capital programme being proposed to Council in February each year.

A2.4 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
External sources	12.5	9.8	1.6	0.0	0.0
Own resources	1.9	1.1	10.7	1.0	1.5
Debt	52.1	38.1	3.5	0.3	0.0
TOTAL	**66.5**	**48.9**	**15.8**	**1.3**	**1.5**

A2.5 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is, therefore, replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP). In addition, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Table 3: Replacement of debt finance in £ millions

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
Own resources	1.9	1.1	10.7	1.0	1.5

The Council's minimum revenue provision (MRP) statement is included at Appendix A below.

A2.6 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £3.5m during 2022/23.

Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
TOTAL CFR	**228.6**	**266.7**	**270.2**	**270.5**	**270.6**

Asset management

A2.7 To ensure that capital assets continue to be of long-term use, the Council has a property management strategy in place. This is a multi-level approach structured as follows:

- At a tenancy level the Comprehensive Asset Register (a database of key lease events) is being updated and used to identify forthcoming lease events such as expiries, rent reviews and breaks. These are allocated to specific asset managers to progress whose work schedules are reviewed periodically.
- At a property level this can comprise the preparation of asset specific management plans which are then subject to periodic review and updating. This process is ongoing and informs the portfolio strategy as a whole.
- At a portfolio level the make-up of the portfolio is considered annually in terms of its sector weighting and suitability to meet the Council's longer-term objectives of providing a secure risk weighted income stream. One such review is ongoing.

Asset disposals

A2.8 When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2024/25. In addition, there are currently no plans to utilise capital receipts on services transformation projects for 2022/23. Receipts from capital grants, loan repayments and investments also generate capital receipts.

A3 Treasury Management

A3.1 Treasury management is concerned with the management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council typically has surplus cash in the short-term as revenue income is received before it is spent, but insufficient cash in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing. At 30 September 2021 the Council had borrowings of £167m at an average interest rate of 1.07%, and £44.1m of investments at an average interest rate of 0.08%. The borrowing position is reported regularly to Accounts, Audit & Risk Committee as part of the Treasury Management Reports.

Borrowing strategy

A3.2 The Council's main objective when borrowing is to achieve a low but certain cost of finance while retaining flexibility should plans change in future. This objective often conflicts, and the Council therefore seeks to strike a balance between lower cost short-term loans (currently available at around 0.1% to 0.3%) and long-term fixed rate loans where the future cost is known, but higher cost (currently 1.5% to 2.0%).

Projected levels of the Council's total outstanding debt (which comprises borrowing and leases) are shown below, compared with the capital financing requirement (see above).

Table 5: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31st March 2021 Actual	**31st March 2022 forecast**	**31st March 2023 forecast**	**31st March 2024 forecast**	**31st March 2025 forecast**
Debt (incl. PFI & leases)	184.6	222.7	226.2	226.5	226.6
Capital Financing Requirement	228.6	266.7	270.2	270.5	270.6

A3.3 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 5 above the Council expects to comply with this in the medium term.

Affordable borrowing limit

A3.4 The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 6: Prudential Indicators: Operational boundary and Authorised limit for external debt in £m

	2021/22 limit	**2022/23 limit**	**2023/24 limit**	**2023/24 limit**
Operational boundary total external debt	270	290	290	290
Authorised limit total external debt	300	310	310	310

Further details on treasury investments can be found in the treasury management strategy.

A4. Commercial Activities

A4.1 To drive leadership of place within Cherwell, stimulate growth, pursue economic regeneration and helping to return confidence to the local economy through investment and facilitating inward investment, the Council invests in commercial property which may also provide some financial gain. Total commercial investments are currently (31 March 2021) valued at £45m with the largest being Castle Quay.

A4.2 From a financial perspective, the Council recognises that commercial investments can be higher risk than treasury investments. The principal risk exposures are listed below together with an outline of how those risks are managed:

Illiquidity:	The Council acknowledges illiquidity as a risk in property and whilst it cannot be avoided the risk is mitigated by the following strategies: a) The council invests across a range of sectors. Illiquidity is to an extent fluid and at any given time varies across sectors. This allows the Council the opportunity to effect sales, if required, in the more liquid sectors. b) The Council's assets are likewise diversified in terms of lot size and market sector. This affords the Council the ability to access a range of purchaser types e.g. small local investors, listed property companies or institutions. c) The Council's investments are not what is termed 'Investment Grade', but they are fundable – i.e. if sold they could be suitable for debt backed investors. d) The Council's assets are uncharged. It is often lenders who require assets to be sold and whilst gearing does not increase illiquidity per se, it can expose an owner to greater risk of selling an illiquid asset at an inopportune time.
Tenant default:	The Council's portfolio includes both large national concerns and small local businesses (mainly retail or industrial type tenants). Tenant default risk is managed in two ways: a) Tenants are vetted when entering the portfolio either as new tenants when property is let or as replacement tenants when existing tenants assign their leases. It has to be acknowledged that there is less control when a tenant applies for consent to assign, though guarantees may be sought. b) Risk is managed by diversification as only a small proportion of tenants will fail in any given year. c) A commercial risk earmarked reserve is held to meet any shortfall in income which may arise in year due to default.

Obsolescence:	A significant proportion of the Council's portfolio comprises industrial / warehouse buildings and simple retail assets which have relatively low obsolescence compared to industrial premises where there are substantial amounts of plant and machinery. Where the Council has offices a sinking / replacement fund is put in place with annual sums collected from tenants to put towards high cost items such as the replacement of lifts or air conditioning. An example of this is the Banbury Health Centre which has a renewals fund set at £10,000 per annum. In other leases the Council will try to negotiate terms which allow for the replacement of obsolete plant when it is beyond economic repair. Where matters of Council policy override commercial concerns, the Council's portfolio is more vulnerable. For example, at Banbury Museum, the Council may be responsible for significant capital outlay on plant and machinery as it nears the end of its useful economic life.
Capital expenditure	Please see above but also note that the Council aims to let space on Full Repairing terms which makes the tenant either explicitly responsible for maintaining the asset or allows CDC to recover the cost of repairs through the service charge provisions of the relevant lease.
Market risk:	Two key market risks are falling rents in response to declining economic conditions and extended marketing voids when leases end or tenants fail. These risks are mitigated in three main ways: 1. Lease lengths should be 3 – 5 yrs + which obviates most market risks during the period of the tenancy. 2. Rents are reviewed on a regular basis to maximise the income generated. 3. Tenant failure – see above under Tenant Default, re: vetting and diversification policies plus earmarked reserves held. An additional risk is over-exposure to town centre retailing as the portfolio's largest assets are Castle Quay Shopping Centre in Banbury and Pioneer Square in Bicester. These are both strategic investments and in respect of Castle Quay, the Council relies on external advisors, particularly Montagu Evans, to identify and manage both upside and downside risks.
Returns eroded by inflation:	All investment assets incorporate periodic rent reviews which provide a hedge against inflation. Property is generally accepted as performing better than fixed income assets in times of inflation.
Rising interest rates:	The portfolio is ungeared and therefore un-mortgaged.

Governance

A4.3 Decisions on commercial investments are made by Members and Statutory Officers in line with the criteria and limits approved by Council in the Investment Strategy. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

Further details on commercial investments and limits on their use can be found in the Investment Strategy.

A4.4 The Council also has commercial activities in trading companies, exposing it to normal commercial risks. These risks are managed by the governance structure in place. The Shareholder Committee is regularly informed of the progress of each company. The Shareholder meets with the directors both formally and informally to ensure there is a consistent dialog between the companies and the council.

A5. Revenue Budget Implications

A5.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general Government grants.

Table 7: Prudential Indicator: Proportion of financing costs to net revenue stream

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
Net Financing costs/(Income)(£m)	£0.19m	(£0.02m)	£0.05m	£0.36m	£0.70m
Proportion of net revenue stream	0.8%	(0.1%)	0.2%	2.7%	5.0%

Further details on the revenue implications of capital expenditure are in the 2022/23 revenue budget.

Sustainability

A5.2 Due to the very long-term nature of capital financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future, which aligns with the attached MRP Statement. The Section 151 Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable.

A6. Knowledge and Skills

A6.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Section 151 Officer is a qualified accountant with many years' experience. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA and RICS.

A6.2 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field.

The Council currently employs Link Group as treasury management advisers and a range of property advisors as follows:

- Banbury based surveyors White Commercial, Wild Property Consultancy and Bankier Sloane provide advice on the local property market, and assistance with new lettings, lease renewals, smaller valuations and rent reviews.
- Where specialist advice is required, the Council will ask for competitive quotes.
- Montagu Evans supply asset management and facilities management in respect of Castle Quay.
- Avison Young supply specialist accounting services in respect of Castle Quay.
- Montagu Evans and Colliers both provide property valuation services
- BWD and Jackson Criss assist with Castle Quay lettings
- Gardiner Theobald provide project management, QS, CDM and Design services on Castle Quay Waterfront
- Broomfield Property Consultants Ltd and Prime Project Management Ltd provide services relating to Castle Quay and other property related projects

This approach is more cost effective than employing such staff directly and ensures that the Council has up to date access to market knowledge and skills commensurate with its risk appetite.

Appendix A – Minimum Revenue Provision (MRP) Statement

1. Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP). The Council is required by statute to charge an amount of MRP to the General Fund Revenue account each year for the repayment of debt. The MRP charge is the means by which capital expenditure which has been funded by borrowing is paid for by council tax payers.

2. Legislation requires local authorities to draw up a statement of their policy on the annual MRP, for full approval by Council before the start of the financial year to which the provision will relate.

3. The Council is recommended therefore to approve the following statement:
   - For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

4. For capital expenditure loans to third parties MRP will be charged over 50 years. Repayments of loan principal received by the council will be treated as capital

receipts and used to reduce the CFR or avoid future additional borrowing, thus reducing future annual MRP charges.

Capital expenditure incurred during 2022/23 will not be subject to an MRP charge until 2023/24.

The Department for Levelling Up, Housing and Communities (DLUHC) is currently consulting on proposed changes to the MRP calculation. The purpose of the proposal is to prevent local authorities using capital receipts to reduce its MRP charge (except where receipts act to reduce the CFR) and to prevent exclusion of specific types of debt, such as that from subsidiary companies, from the MRP calculation. The consultation closes on the 8th February 2022 with any revised guidance being issued later in the year. The Council has updated its MRP policy in anticipation of this being introduced.

B. Investment Strategy 2021/22

B1. Introduction

B1.1 The Council invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

B1.2 The investment strategy was a new report introduced for 2019/20, meeting the requirements of statutory guidance issued by the Government in January 2018, and focuses on the second and third of these categories.

B2. Treasury Management Investments

B2.1 The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and Central Government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to be an average of £21m during the 2022/23 financial year.

Contribution

B2.2 The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

Further details

B2.3 Full details of the Council's policies and its plan for 2022/23 for treasury management investments are covered in a separate document, the treasury management strategy

B3. Service Investments: Loans

Contribution

B3.1 The Council lends money to its subsidiaries, local parishes, local charities to support local public services and stimulate local economic growth. The main loans issued are to the council's subsidiaries – the Graven Hill Village companies and Crown House Banbury Ltd. Graven Hill is an ambitious self-build housing development providing significant housing in Bicester. Crown House is a redeveloped derelict office building in the centre of Banbury which is providing significant rental opportunities in the town centre.

Security

B3.2 The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £ millions

Category of borrower	31.3.2021 actual			2022/23
	Balance*	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	59.938	(0.977)	58.961	85.900
Local charities	1.221	(0.134)	1.087	1.150
Parishes	0.058	0.000	0.058	0.100
TOTAL	**61.217**	**(1.111)**	**60.106**	**87.150**

** including accrued interest*

B3.3 Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts are shown net of this loss allowance. The Council, however, makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment

B3.4 The Council assesses the risk of loss before entering into and whilst holding service loans by approaching each loan request individually. The bulk of the council's loans are to its subsidiaries. When the council considers whether or not to create or acquire a subsidiary a full business case is prepared which sets out the optimal financing of the company. This will include an assessment of the market in which it will be competing, the nature and level of competition, how that market may evolve over time, exit strategy and any ongoing investment requirements. External advisors are used where appropriate to complement officer expertise and second opinions from alternate advisors is sought in order to monitor and maintain the quality of advice provided by external advisors.

B3.5 Other service loans are evaluated against a set of criteria designed to demonstrate:

- Evidence of project objectives and needs analysis is provided
- The loan must have a demonstrable community impact
- The loan would provide up to 50% of the whole project cost
- Such a loan can only be applied for by constituted voluntary organisations with their own bank account; Town or Parish councils; charitable organisations
- The loan cannot be applied retrospectively
- The applicant has provided evidence of its financial stability and of its ability to manage the proposed scheme.
- Appropriate checks have been carried out on the owners of the organisations to be satisfied as to their integrity and to avoid any potential embarrassment to the Council.
- The applicant has demonstrated that the proposed scheme has been developed following good practice in terms of planning, procurement and financial appraisal.
- The applicant has provided evidence the affordability of their proposed scheme and the loan repayments
- That the project furthers the council's priorities as reflected in its Business Plan

B4. Service Investments: Shares

Contribution

B4.1 The council invests in the shares of its subsidiaries to support local public services and stimulate local economic and housing growth. The council currently holds shares in Graven Hill Holding Company Ltd and Crown House Banbury Ltd.

Security

B4.2 One of the risks of investing in shares is that they can fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes in £ millions

Category of company	**31.3.2021 actual**			**2022/23**
	Amounts invested	**Gains or losses**	**Value in accounts**	**Approved Limit**

Subsidiaries	33.053	0	33.053	38.263
TOTAL	**33.053**	**0**	**33.053**	**38.263**

Risk assessment

B4.3 The Council assesses the risk of loss before entering into and whilst holding shares by maintaining close links with the Boards of Directors of the companies through an established Shareholder Committee. Risk is assessed as above in Service Loans.

Liquidity

B4.4 The maximum periods for which funds may prudently be committed are assessed on a project by project basis. The decision will balance both the long-term viability of the subsidiary and the revenue and capital requirements of the Council.

Non-specified Investments

B4.5 Shares are the only investment type that the council has identified that meets the definition of a non-specified investment in the Government guidance. The limits above on share investments are therefore also the Council's upper limits on non-specified investments. The council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

B5. Commercial Investments: Property

Contribution

B5.1 The Council invests in local commercial and residential property with the intention of making a profit that will be spent on local public services. The portfolio comprises a cross-section of retail, office and industrial assets together with a health centre. The four largest investments are as follows:

- Castle Quay, Banbury; a covered shopping centre and development site
- Pioneer Square, Bicester; a modern retail parade of shops
- Franklins House, Bicester; a mixed-use complex comprising offices, hotel, business centre and public library
- Tramway Industrial Estate

B5.2 These assets contribute an aggregate £5.1m gross income to the council's revenue budget. They are all town centre properties and afford the Council an opportunity to influence the amenity and environment of its two principal strategic centres. Castle Quay will, in particular, allow the development of a new leisure orientated focal point to help revitalise Banbury town centre.

The component parts of the entire investment portfolio are described below:

Table 3: Property held for investment purposes in £ millions

Property	**Actual**	**31.3.2021 Actual**			**31.3.2022 Expected**	**31.3.2023 Expected**
	Purchase Cost	**Net Book Value in accounts 31.3.2020**	**Expenditure, Gains or (losses)**	**Net Book Value in accounts 31.3.2021**	**Net Book Value in accounts**	**Net Book Value in accounts**
Castle Quay Shopping Centre	63.485	33.000	(11.375)	21.625	25.422	27.063
Castle Quay Waterfront	0.000	0.000	0.000	0.000	72.013	73.872
Pioneer Square	8.164	7.369	(2.947)	4.412	4.412	4.412
Tramway Industrial Estate	9.618	9.250	0.010	9.260	9.260	9.260
Other properties valued under £5m	13.092	11.511	(1.501)	10.009	10.009	10.009
TOTAL	**94.359**	**61.121**	**(15.814)**	**45.306**	**121.116**	**124.616**

Security

B5.3 In accordance with Government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

Risk assessment

B5.4 The Council assesses the risk of loss before entering into and whilst holding property investments by cash flow modelling the income and expenditure profile of each investment and interrogating that model across a range of scenarios to test the robustness of the investment. The modelling exercise is informed by the likelihood of tenant default and the chances that individual units will become empty during the hold period.

B5.5 The property investment market is dynamic, and we are kept abreast of developments by frequent communication and established relationships with local and national agents, supplemented by in-house investigations and reading of published research. The market is, at present, competitive in most asset sectors and our focus is on assets that are local, strategic and meet our investment return criteria. We are mindful of the Council’s need for reliable future income streams and occupational demand is fundamental to our appraisals as longer let assets tend not to generate sufficiently attractive returns.

B5.6 In all acquisitions we take external advice from acknowledged experts in the field and sense-check their input against our in-house knowledge, experience and expertise. The advice sourced covers market value but also, given the purpose of the investment, letting risk, marketability and occupational demand, and likely expenditure over the hold period.

B5.7 The Council uses a number of local and national advisors and cross reference their views periodically. There is no single party who expects to be instructed by the Council without competition.

B5.8 Credit ratings are used on acquisitions, new lettings and when tenants request consent to assign their leases. The Council uses D&B ratings and also study published accounts.

Credit ratings have not historically been used to monitor existing tenants but this will be introduced for our largest tenants this year.

B5.9 A number of other strategies are used to mitigate risk:

- Tenant rent payment histories are analysed on any acquisition.
- Tenant rent payment patterns and arrears are examined in the existing portfolio.
- Introducing agents advise the council throughout the acquisition process and their advice includes market commentary at a national and a local level and commentary on perceived risks to the investment.
- In tandem with the above every acquisition is subject to a third-party valuation by national surveyors who are independent i.e. not acting for the council or the vendor on the acquisition.

Liquidity

B5.10 Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the council acknowledges illiquidity as a risk in property and whilst it cannot be avoided the risk is mitigated by the following strategies:

- The Council invests across a range of sectors. Illiquidity is, to an extent, fluid and at any given time varies across sectors. This allows the Council the opportunity to effect sales, if required, in the more liquid sectors.
- The Council’s assets are, likewise, diversified in terms of lot size. This affords the Council the ability to access a range of purchaser types e.g. small local investors, listed property companies or institutions.
- The Council does not invest in high risk assets which can be the most illiquid of all.
- The Council’s investments are not what is termed ‘Investment Grade’, but they are fundable – i.e. if sold they could be suitable for debt backed investors.
- The Council does not invest in specialist properties, where the market tends to be most illiquid.

- The Council's assets are uncharged. It is often lenders who require assets to be sold and whilst gearing does not increase illiquidity per se, it can expose an owner to greater risk of selling an illiquid asset at an inopportune time.

B6. Loan Commitments and Financial Guarantees

B6.1 Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the council and are included here for completeness.

The council has contractually committed to the following loan amounts which have yet to be drawn upon (as at 31/3/21):

Table 4: Loan Commitments and Guarantees

Borrower	Purpose	£m Contractually Available
Graven Hill Village Development Company Ltd	Revolving Credit Facility available to the council's subsidiary until 2026	17.0
Graven Hill Village Development Company Ltd	Facility Agreement that has been in place since 2014 to deliver the project.	5.7
Graven Hill Village Development Company Ltd	Loan Note instruments to enable the company to deliver its objectives	2.1
TOTAL		**24.7**

The Council has also provided bonds and guarantees to the value of £50.1 million to Oxfordshire County Council (OCC) on behalf of Graven Hill Village Development Company Ltd in respect of the Company's obligations to OCC under s.106, s.278 and s.38 agreements.

B7. Capacity, Skills and Culture

Elected members and statutory officers

B7.1 The majority of senior statutory officers are qualified to degree level and have appropriate professional qualifications. Their shared business experience encompasses both the public and private sectors and the three most senior Property & Investment team members have on average 20+ years commercial experience.

Training and guidance are provided to support members in delivering their roles and support effective decision making.

Commercial Investments

B7.2 Negotiations are either undertaken directly by Assistant Directors or at a senior level with Assistant Director direct involvement and oversight, alongside input from Directors and Lead Members where required. Assistant Directors are aware of the regulatory regime and convey that to all junior staff**.**

Corporate governance

B7.3 There are appropriate corporate governance measures in place which comprise end to end decision making procedures. These include risk assessments within the organisation; presentation to relevant committees including Members, statutory officers' approvals and relevant project boards. The annual Corporate Investment Strategy provides the reference point against which investment decisions are undertaken.

B8. Investment Indicators

B8.1 The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

Total risk exposure

B8.2 The first indicator shows the council's total exposure to potential investment losses. This includes amounts the council is contractually committed to lend but have yet to be drawn down and guarantees the council has issued over third-party loans.

Table 5: Total investment exposure in £millions

Total investment exposure	**31.03.2021 Actual**	**31.03.2022 Forecast**	**31.03.2023 Forecast**
Treasury management investments	38.6	38.6	15.0
Service investments: Loans	61.2	71.7	66.4
Service investments: Shares	29.1	31.7	31.7
Commercial investments: Property	45.3	121.1	124.6
TOTAL INVESTMENTS	**174.2**	**263.1**	**237.7**
Commitments to lend	24.7	14.8	20.8
TOTAL EXPOSURE	**198.9**	**277.9**	**258.5**

How investments are funded

B8.3 Government guidance is that these indicators should include how investments are funded. The Council's investments are funded by usable reserves, income received in advance of expenditure and borrowing.

Rate of return received

B8.4 This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 6: Investment rate of return (net of all costs)

Investments net rate of return	**2020/21 Actual**	**2021/22 Forecast**	**2022/23 Forecast**
Treasury management investments	0.27%	0.08%	0.22%
Service investments: Loans	1.5% - 12%	1.5% - 12%	1.5% - 12%
Commercial investments: Property	Variable	Variable	Variable

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Cherwell District Council

Treasury Management Strategy Statement 2022-23

Introduction

Treasury management is the management of the council's cash flows, borrowing and investments, and the associated risks. 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 financial risk are therefore central to the council's prudent financial management.

Treasury risk management at the council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the council to approve a treasury management strategy before the start of each financial year. This report fulfils the council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

Investments held for service or commercial purposes are considered in the Investment Strategy. This strategy should also be read in conjunction with the Capital Strategy.

The latest economic background, credit outlook and interest rate forecast provided by Link is attached at the end of this report. For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 0.22%, and that new loans will be borrowed at an average rate of 0.45%.

Local Context

On 30 September 2021, the council held £167m of borrowing and £44.1m of investments. This is set out in further detail below:

	30.9.21 Actual Portfolio £m	30.9.21 Average Rate %
External borrowing:		
Public Works Loan Board	75.0	1.76%
Local authorities	92.0	0.51%
Total gross external debt	**167.0**	**1.07%**
Treasury Investments:		
Banks & building societies (unsecured)	0	0.01%
UK Government	4.0	-
Local Authorities	36.0	0.10%
Money Market Funds	4.1	0.01%
Total treasury investments	**44.1**	**0.08%**
Net debt	**122.9**	

Forecast changes in these sums are shown in the balance sheet analysis in the table below:

Balance sheet summary and forecast

	31.3.21 Actual £m	**31.3.22 Estimate £m**	**31.3.23 Forecast £m**	**31.3.24 Forecast £m**	**31.3.25 Forecast £m**
General Fund CFR	228.6	266.7	270.2	270.5	270.6
Less: External borrowing **	(184.0)	(174.0)	(112.0)	(100.0)	(100.0)
Internal/(over) borrowing	**44.6**	**92.7**	**158.2**	**170.5**	**170.6**
Less: Usable reserves	(52.9)	(40.0)	(40.0)	(40.0)	(40.0)
Less: Working capital	(30.3)	(30.0)	(30.0)	(30.0)	(30.0)
Investments/(New) borrowing required)	**38.6**	**(22.7)**	**(88.2)**	**(100.5)**	**(100.6)**

** shows only loans to which the council is currently committed. Therefore 'New Borrowing includes some refinancing of existing debt

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The council has an increasing CFR due to the capital programme, but minimal investments and may therefore be required to borrow up to a total of £200.6m over the forecast period (£100.0m plus £100.6m in 2024/25 from the table above).

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. The table above shows that the Council expects to comply with this recommendation.

Borrowing Strategy

The council currently (30/9/21) holds £167million of loans, a reduction of £17million on the previous year end, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in the table above shows that the Council expects to borrow up to a total of £200.2 million in 2022/23. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £310 million, which has been assessed and stated in the Capital Strategy.

Objectives: The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required.

Strategy: The Council's borrowing strategy is to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. A balance is therefore sought between short-term borrowing, using internal resources and securing affordable long-term borrowing to mitigate future interest rate risk.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. External advisors, Link, will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2022/23 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Council has raised the majority of its long-term borrowing from the PWLB, which provides accessible and affordable borrowing options. The council may also look to borrow any long-term loans from other sources as set out below.

Alternatively, the Council may arrange forward starting loans during 2022/23, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow further short-term loans to cover unplanned cash flow shortages.

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body e.g. other local authorities
- UK private and public sector pension funds (except Oxfordshire County Council Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

Forecast of borrowing rates: It is expected that the Bank of England base rate will steadily increase from its current rates of 0.25% to 1.25% by March 2025. Therefore the "cost of carry"[1] associated with the long-term borrowing compared to temporary investment returns will be significantly reduced compared to previous years.

The main sources of borrowing for the Council are the PWLB and other UK local authorities. The borrowing rate from the PWLB is directly linked to UK Government Gilt yield. There are two rates offered by the PWLB which the Council has access to; the standard rate and the certainty rate, which are 100, and 80 basis points over gilts, respectively. The Council will maintain its eligibility for the certainty rate.

[1] The difference between the interest payable on borrowing on debt and the interest receivable from investing surplus cash.

Our advisors, Link, have forecast PWLB Certainty rates over the medium term to be as follows:

PWLB Certainty Rate forecast (%)

	Dec-21	Mar-22	Mar-23	Mar-24	Mar-25
5 yr PWLB	1.40	1.50	1.70	1.90	2.00
10 yr PWLB	1.60	1.70	1.90	2.10	2.30
25 yr PWLB	1.80	1.90	2.20	2.30	2.50
50 yr PWLB	1.50	1.70	2.00	2.10	2.30

Borrowing from Local Authorities comprises approximately 55% of our current loans and are readily available for short durations (1 month – 2 years) at lower rates than PWLB, although these do carry the risk of interest rate rises when refinancing.

For the purpose of setting the budget, it has been assumed that new loans will be borrowed at an average rate of 0.45%. The overall forecast loans rate for 2022/23 using existing long-term borrowing and new loans is 1.46%.

Investment Strategy

The Council currently (30/9/21) holds invested funds of £44.1m representing income received in advance of expenditure plus balances and reserves held. In the past 6 months (April – September 2021), the council's investment balance has ranged between £38.9 million and £57.9 million. Levels in the forthcoming year are expected to be generally lower, ranging between £10m and £25m, but may vary for short periods due to cashflow needs and borrowing opportunities.

Treasury management investments

	31.3.21 Actual £m	**31.3.22 Estimate £m**	**31.3.23 Forecast £m**	**31.3.24 Forecast £m**	**31.3.25 Forecast £m**
Short-term investments	38.6	40	15	15	15
Longer-term investments	0	0	0	0	0
TOTAL	**38.6**	**40**	**15**	**15**	**15**

Objectives: The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative interest rates: There is a chance that the Bank of England could set its official rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, where possible the council would divest from any negative yielding instant access deposits and switch to a series of short term inter local authority deposits, whilst inter local authority returns remain above, or at zero.

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

Forecast of interest rates: Our advisors, Link are forecasting that the BoE Bank Rate will steadily increase from its current rates of 0.25% over the coming years. Gilt yields are expected to remain low in the medium-term and short-term yields are likely to remain below or at zero. Taking into account the advice from Link, market implications and the current economic outlook, it has been assumed that new treasury investments for 2022/23 will be made at an average rate of 0.22%,

Approved counterparties: The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown.

Approved investment counterparties and limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£3m 5 years	£3m 20 years	£5m 50 years	£3m 20 years	£3m 20 years
AA+	£3m 5 years	£3m 10 years	£5m 25 years	£3m 10 years	£3m 10 years
AA	£3 m 4 years	£3m 5 years	£5m 15 years	£3m 5 years	£3m 10 years
AA-	£3m 3 years	£3m 4 years	£5m 10 years	£3m 4 years	£3m 10 years
A+	£3m 2 years	£3m 3 years	£5m 5 years	£3m 3 years	£3m 5 years
A	£3m 13 months	£3m 2 years	£5m 5 years	£3m 2 years	£3m 5 years
A-	£3m 6 months	£3m 13 months	£5m 5 years	£3m 13 months	£3m 5 years
None	None	None	£5m 2 years	None	None
Pooled funds		£5m per fund or trust			

This table must be read in conjunction with the notes below

Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made following an external credit assessment.

Registered providers: Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Pooled funds: Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term but are more volatile in the short term. These allow the council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the council's investment objectives will be monitored regularly.

Operational bank accounts: The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £50,000 per bank wherever possible e.g. except for overnight balances where funds are received during the day and it is too late to transfer to another counterparty. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the council maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has it's credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the council’s treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the council’s cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.

Investment limits: In order that the council’s revenue reserves available to cover investment losses are not put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£5m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£5m per group
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker’s nominee account	£3m per broker
Foreign countries	£5m per country
Registered providers and registered social landlords	£10m in total
Unsecured investments with building societies	£10m in total
Loans to unrated corporates	£5m in total
Money market funds	£15m in total
Real estate investment trusts	£5m in total

Liquidity management: The council uses in-house cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the council's medium-term financial plan and cash flow forecast.

Governance

Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and staff, who must act in line with the treasury management strategy approved by Council. Reports on treasury management activity are presented to the Accounts, Audit & Risk Committee. The Accounts, Audit & Risk Committee is responsible for scrutinising treasury management decisions.

Treasury Management Indicators

The council measures and manages its exposures to treasury management risks using the following indicators.

Interest rate exposures: This indicator is set to control the council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or a 0.75%^^ fall in interest rates will be:

Interest rate risk indicator	**Limit**
Upper limit on one-year revenue impact of a 1% rise in interest rates	£800,000
Upper limit on one-year revenue impact of a 0.1% fall in interest rates	£600,000

As interest rates are at 0.1%, the impact of a potential fall has been capped at 0%

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

Maturity structure of borrowing: This indicator is set to control the council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	**Upper limit**	**Lower limit**
Under 12 months	80%	10%
12 months and within 24 months	80%	0%
24 months and within 5 years	80%	0%
5 years and within 10 years	80%	0%
10 years and above	80%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. The upper and lower limits as shown above provide the scope to accommodate new loan(s) in the most appropriate maturity band at the time of borrowing

Principal sums invested for periods longer than a year: The purpose of this indicator is to control the council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	**2022/23**	**2023/24**	**2024/25**

Limit on principal invested beyond year end	£5m	£5m	£5m

Related Matters

The CIPFA Code requires the council to include the following in its treasury management strategy.

Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Markets in Financial Instruments Directive (MiFID II): The council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the council's treasury management activities, the Director of Finance believes this to be the most appropriate status.

Financial Implications

The budget for treasury investment income in 2022/23 is £46k, based on an average investment portfolio of £21 million at an average interest rate of 0.22%.

The budget for debt interest payable in 2022/23 is £2.241 million, based on an average debt portfolio of £153.5 million at an average interest rate of 1.46%.

If actual levels of investments and borrowing, or interest rates, differ from those forecast, performance against budget will be correspondingly different.

Economic Commentary and Interest Rate Forecast – Link Group (22/12/2021)

ECONOMIC BACKGROUND

COVID-19 vaccines.

These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pingdemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.

- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

MPC MEETING 16H DECEMBER 2021

- The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.

- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.

- **On 10th December we learnt of the disappointing 0.1% m/m rise in GDP** in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.

- **On 14th December, the labour market statistics** for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.

- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.

- **On 15th December we had the CPI inflation** figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).

- **Other elements of inflation are also transitory** e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.

- Although it is possible that the Government could step in with some **fiscal support for the economy**, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!

- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a **surprise increase in Bank Rate from 0.10% to 0.25%.** What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".

- On the other hand, it did also comment that **"the Omicron variant is likely to weigh on near-term activity".** But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now "these conditions had been met". It also appeared more worried about the possible boost to inflation form Omicron itself. It said that "the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation". It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning "global price pressures might persist for longer". (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)

- On top of that, there were no references this month to inflation being expected to be below the **2% target in two years' time,** which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.

- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only **a "modest tightening"** in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.

- In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory,** and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.

- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).

- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
    - Raising Bank Rate as "the active instrument in most circumstances".
    - Raising Bank Rate to 0.50% before starting on reducing its holdings.
    - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
    - Once Bank Rate had risen to at least 1%, it would start selling its holdings.

- **US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, **CPI inflation hit a near 40-year record level of 6.8%** but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.
- **Shortages of labour** have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.
- Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the **Fed's meeting of 15th December** would take aggressive action against inflation. Accordingly, the rate of tapering of monthly $120bn QE purchases announced at its November 3rd meeting. was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase

could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – "maximum employment". The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being "transitory" and instead referred to "elevated levels" of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent "for some time". It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.

See also comments in paragraph 3.3 under PWLB rates and gilt yields.

- **EU.** The slow role out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.
- **November's inflation figures** breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB's target of 2% and it is likely to average 3% in 2022, in line with the ECB's latest projection.
- **ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.
- The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.
- The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable

gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.

- **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.
- However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.
- Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

- **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.
- The Bank of Japan is continuing its **very loose monetary policy** but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.

- **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is likely that we are heading into a period where there will be a **reversal of world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

- **SUPPLY SHORTAGES**. The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

Agenda Item 12

Account Audit & Risk Committee
Work Programme 2021 -2022

16 March 2022	Counter Fraud Update 2021/22 Annual Report of AARC Performance, Finance and Risk Monitoring Report - Q3 - December 2021 Treasury Management Q3 2021/22 Housing Benefit Risk Based Verification Policy Work Programme Update TRAINING - Risk Management

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DRAFT Accounts, Audit & Risk Committee – 2022 Training & Briefing Programme

Subject	Proposed slot	Delivered by	Invited
Training - Treasury Management	19 Jan 22 committee	Ian Robinson	All AARC members Extend invite to all members
Training - Risk Management	16 March 22 committee	Louise Tustian	All AARC members Extend invite to all members
New member training If there are new members to the committee – propose that we run a session similar to the last new member session.	Tbc – separate date to scheduled	Tbc	All AARC new members Extend invite to all new members
Training - Annual Governance Statement / Governance areas for the committee	25 May 22 committee (this session would need to be held prior to main committee meeting when AGS is presented)	Tbc – Anita Bradley	All AARC members Extend invite to all members
Training - Statement of Accounts	27 July 22 committee	Michael Furness	All AARC members Extend invite to all members
Training - Counter Fraud / Whistleblowing / Internal Audit	28 Sept 22 committee	Tessa Clayton / Sukdave Ghuman / Sarah Cox	All AARC members Extend invite to all members
Briefing – Confidential meeting with Chief Internal Auditor / Confidential meeting with External Audit	16 Nov 22 committee	Sarah Cox / EY	Restricted to AARC members only
Briefing – Session for the committee to undertake self-assessment against CIPFA audit committee guidelines	Tbc – separate date to be scheduled – can be at any point within year.	Sarah Cox	Restricted to AARC members only

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