

Public Document Pack



Cherwell

DISTRICT COUNCIL
NORTH OXFORDSHIRE

Committee: Accounts, Audit and Risk Committee

Date: Wednesday 28 September 2022

Time: 6.30 pm

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

Membership

**Councillor Donna Ford
(Chairman)**

Councillor Patrick Clarke

Councillor Ian Middleton

Councillor Sean Woodcock

Councillor Hugo Brown (Vice-Chairman)

Councillor Andrew Crichton

Councillor Chris Pruden

Councillor Barry Wood

AGENDA

1. Apologies for Absence and Notification of Substitute Members

2. Declarations of Interest

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

3. Petitions and Requests to Address the Meeting

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

4. Minutes (Pages 5 - 8)

To confirm as a correct record the Minutes of the meeting of the Committee held on 27 July 2022.

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. External Audit - Audit Planning Report 2021/22 (Pages 9 - 58)

Report of the Assistant Director of Finance

Purpose of report

To receive a report setting out the External Audit Planning Report for 2021/22.

Recommendations

The meeting is recommended to:

- 1.1 Note the contents of the External Audit Planning Report for 2021/22 from our External Auditors, Ernst & Young (EY).

8. August 2022 Risk Monitoring Report (Pages 59 - 78)

Report of Assistant Director – Customer Focus (Interim)

Purpose of report

This report summarises the Council's Risk monitoring position of August 2022.

Recommendations

The meeting is recommended:

- 1.1 To consider and comment on the Risk Monitoring.

9. Treasury Management Report - April to August 2022 (Pages 79 - 88)

Report of the Director of Assistant Director of Finance

Purpose of report

To receive information on treasury management performance and compliance with treasury management policy for 2022-23 as required by the Treasury Management Code of Practice.

Recommendations

The meeting is recommended:

- 1.1 To note the contents of this Treasury Management Report.

10. Internal Audit Progress Report 2022/23 (Pages 89 - 106)

Report of the Director of Finance

Purpose of report

The report presents the Internal Audit Progress report for 2022/23

Recommendations

The meeting is recommended:

- 1.1 To note the progress with the 2022/23 Internal Audit Plan and the outcome of the completed audits.

11. Local Government and Social Care Ombudsman Annual Report 2021/22 (Pages 107 - 118)

Report of the Interim Monitoring Officer

Purpose of report

To provide Council with the Local Government and Social Care Ombudsman's annual report on Cherwell District Council for the financial year 2021/22.

Recommendations

The meeting is recommended:

- 1.1 To receive the report and comment on the Local Government and Social Care Ombudsman's Annual Review of Cherwell District Council for 2021/22.

12. Work Programme (Pages 119 - 120)

To consider and review the Work Programme.

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

Information about this Meeting

Apologies for Absence

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

Declarations of Interest

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

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

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

Evacuation Procedure

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

Access to Meetings

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

Mobile Phones

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

Queries Regarding this Agenda

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

Yvonne Rees
Chief Executive

Published on Tuesday 20 September 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 27 July 2022 at 6.30 pm

Present:

Councillor Donna Ford (Chairman)
Councillor Hugo Brown (Vice-Chairman)
Councillor Patrick Clarke
Councillor Andrew Crichton
Councillor Ian Middleton
Councillor Sean Woodcock

Substitute Members:

Councillor Phil Chapman (In place of Councillor Barry Wood)

Also Present:

Councillor Adam Nell, Portfolio Holder for Finance
Alison Kennet, Ernst & Young, External Auditors

Apologies for absence:

Councillor Chris Pruden
Councillor Barry Wood

Officers:

Shahin Ismail, Assistant Director Law, Governance, Democratic Services & Procurement & Monitoring Officer Interim
Sarah Cox, Chief Internal Auditor
Joanne Kaye, Strategic Finance Business Partner
Celia Prado-Teeling, Assistant Director Customer Focus Interim
Ian Boll, Corporate Director Communities
Robert Jolley, Assistant Director Growth & Economy
Sharon Hickson, Democratic and Elections Officer

14 **Declarations of Interest**

There were no declarations of interest.

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

There were no petitions or requests to address the meeting.

16 **Minutes**

The Minutes of the meeting of the Committee held on 25 May 2022 were agreed as a correct record and signed by the Chairman.

17 **Chairman's Announcements**

There were no chairman's announcements.

18 **Urgent Business**

There were no items of urgent business.

19 **End of year 2021- 2022 Performance, Risk and Finance Monitoring Report**

The Assistant Director of Finance & S151 Officer and Interim Assistant Director Customer Focus submitted a report which summarised the Council's Performance, Risk and Finance monitoring positions at the end of the Financial Year 2021-2022.

Resolved

(1) That the Performance, Risk and Finance Monitoring Report be noted.

20 **Regulatory Compliance Report**

The Interim Monitoring Officer submitted a report which updated the Committee on regulatory compliance.

In introducing the report, the Interim Monitoring Officer explained that a number of these functions; Freedom of Information requests, Environmental Information Regulations, Subject Access Requests, were currently in a transition period back in house having been run by Oxfordshire County Council under a shared service function arrangement. Future reports would provide more information for these areas.

Resolved

(1) That the Regulatory Compliance report be noted.

21 **Update on Counter Fraud Annual Plan 2021/22 and presenting the Counter Fraud Annual Plan 2022/23**

The Assistant Director of Finance & S151 Officer submitted a report which summarised the activity against the Annual Plan for the Counter Fraud service

at Cherwell District Council for 2021/22 and presented the Counter-Fraud plan for the year 2022/23

Resolved

- (1) That the summary of activity against the Annual Counter Fraud Plan for 2021/22 be noted
- (2) That the Counter Fraud Plan for 2022/23 be noted.
- (3) That the Investigation Report be noted.

22

Internal Audit Charter

The Assistant Director of Finance & S151 Officer submitted a report which presented the Internal Audit Charter and Internal Audit Quality Assurance programme for 2022/23.

Resolved

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

23

Treasury Management Report - Q4 (March 2022)

The Assistant Director of Finance & S151 Officer 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.

The Strategic Finance Business Partner advised the Committee that as interest rates were rising, the borrowing strategy had been adjusted in line with the change of circumstance and in consultation with Portfolio Holder, Treasury advisors and the Leader. Short term borrowing would be replaced by long term borrowing which would range from 5 – 10years.

Resolved

- (1) That the contents of the Q4 (March 2022) Treasury Management Report be noted

24

Support to Subsidiaries

The Assistant Director of Finance & S151 Officer submitted a report that informed the Committee of the overall level of support provided to the Council's subsidiaries and how this was considered as part of the external audit.

Resolved

- (1) That the report be noted.

25

Work Programme

The Strategic Finance Business Partner advised the committee that the following items would not be submitted to the September meeting: Report of those in charge of Governance 2021/22; External Audit – Annual Audit Opinion 2021/22; and, Final Statement of Accounts and Letter of Representation 2021/22. The work programme would be updated to reflect the revised meeting at which these items would be considered.

The Committee agreed that a Counter Fraud & Whistleblowing training session be arranged to follow the AARC meeting on 28 September and that the training should be open to all Members.

Resolved

- (1) That the work programme be noted.

26

Exclusion of Press and Public

Resolved

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

27

Support to Subsidiaries - Exempt Appendix

Resolved

- (1) That the exempt appendix be noted.

The meeting ended at 7.30 pm

Chairman:

Date:

Cherwell District Council

Accounts Audit and Risk Committee

28 September 2022

External Audit – Audit Planning Report 2021/22

Report of the Assistant Director of Finance

This report is public

Purpose of report

To receive a report setting out the External Audit Planning Report for 2021/22.

1.0 Recommendations

The meeting is recommended to:

- 1.1 Note the contents of the External Audit Planning Report for 2021/22 from our External Auditors, Ernst & Young (EY).

2.0 Introduction

- 2.1 Attached at Appendix 1 is the External Audit Planning Report 2021/22 which outlines the work the external auditors plan to undertake to audit the Statement of Accounts and be able to provide their audit opinion for 2021/22.

3.0 Report Details

- 3.1 External Audit undertakes its work in line with the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments Ltd and auditing standards.
- 3.2 The Audit Planning Report sets out the methodology, approach and timescales that EY will take in relation to undertaking the work required for the audit of the Statement of Accounts 2021/22.
- 3.3 The report sets out the areas of focus and their prioritisation for the current year's audit along with the rationale and expected audit approach. The areas of focus identified beginning on page 5 of Appendix 1 may change to reflect any significant findings or subsequent issues the auditors identify during the audit.

- 3.4 In addition to the areas of focus that remain from prior years, two new areas of focus have been added for the 2021/22 audit. Because these are new, they have been highlighted red in the table on pages 5 and 6 of Appendix 1. Areas of focus from prior years are highlighted in yellow. These new areas of focus are derived from national issues surrounding Infrastructure Valuations and International Standard on Auditing require a focus on rental income, of which Cherwell has significant amounts.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The External Audit Planning Report for 2020/21 has been submitted by Ernst & Young to inform 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:

Helen Lolas, Team Leader, Legal Services and Solicitor, 07801 400941
Helen.Lolas@cherwell-dc.gov.uk

Risk Implications

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

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus,
Tel: 01295 221556
Celia.prado-teeling@cherwell-dc.gov.uk

Equalities and inclusion implications

7.4 There are no equalities nor inclusion implications arising directly from this report.

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus,

Tel: 01295 221556

Celia.prado-teeling@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 Nell, Portfolio Holder for Finance

Document Information

Appendix number and title

- Appendix 1 – External Audit Planning Report 2021/22

Background papers

None

Report Author and contact details

Joanne Kaye, Strategic Finance Business Partner, 01295 221545,

joanne.kaye@cherwell-dc.gov.uk

This page is intentionally left blank



Cherwell District Council Draft audit planning report

Year ended 31 March 2022

15 September 2022

Page 13



Private and Confidential

15 September 2022

Cherwell District Council
Bodicote House
Bodicote
OXON OX15 4AA

Dear Committee Members

We are pleased to attach our Draft Audit Planning Report which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Accounts, Audit and Risk Committee with a basis to review our proposed audit approach and scope for the 2021/22 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

Our audit planning is currently underway and this plan summarises our initial assessment of the key risks driving the development of an effective audit for Cherwell District Council, and outlines our planned audit strategy in response to those risks.

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

We welcome the opportunity to discuss this report with you on 28 September 2022 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Maria Grindley

For and on behalf of Ernst & Young LLP

Enc

Contents

01 Overview of our 2021/22 audit strategy	02 Audit risks	03 Value for Money risks	04 Audit materiality	05 Scope of our audit
				
				
06 Audit team	07 Audit timeline	08 Independence	09 Appendices	

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Accounts, Audit and Risk Committee and management of Cherwell District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Accounts, Audit and Risk Committee and management of Cherwell District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Accounts, Audit and Risk Committee and management of Cherwell District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2021/22 audit strategy



Overview of our 2021/22 audit strategy

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks. As part of our current planning we believe the risk is likely to manifest itself in the inappropriate capitalisation of revenue expenditure - see below.
Inappropriate capitalisation of revenue expenditure due to fraud or error	Fraud risk	No change in risk or focus	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>Our judgement is the significant risk at the Council may manifest itself in the improper capitalisation of revenue expenditure.</p>
Inappropriate revenue recognition of Other Income - rental income	Fraud risk	New fraud risk	<p>ISA (UK and Ireland) 240 states, in paragraph 26, that material misstatements due to fraudulent financial reporting often result from a misstatement of revenues. Therefore, the auditor ordinarily presumes that there are risks of fraud in revenue recognition and considers which types of revenue, revenue transactions or assertions may give rise to such risks. Those assessed risks of material misstatement due to fraud related to revenue recognition are significant risks.</p> <p>Councils have a statutory duty to balance their annual budget and are operating in a financially challenged environment with reducing levels of government funding and increasing demand for services. Any deficit outturn against the budget is not a desirable outcome for Cherwell District Council and management, and therefore this desire to achieve budget increases the risk that the financial statements may be materially misstated.</p> <p>In our judgement the risk of manipulation of these revenue streams lies in other income, specifically rental income. This figure in the financial statements is reliant on the information produced by Cherwell District Council which is accepted by the recipients and the requested payments are made to the Council.</p>

Overview of our 2021/22 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Valuation of Land and Buildings and Investment Property	Significant risk	No change in risk or focus	<p>The fair values of Property, Plant and Equipment (PPE) and Investment Property (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and for PPE, depreciation charges.</p> <p>Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>
Valuation of Infrastructure Assets	Significant risk	New risk	<p>There is a National issue being considered by CIPFA with regards the fact that some local authorities are not compliant with the Code requirements in relation to Infrastructure Assets. The issue is that they are not writing out the gross cost and accumulated depreciation on infrastructure assets when a major part/component has been replaced or decommissioned.</p> <p>Asset registers do not tend to record infrastructure capital expenditure with sufficient detail and geographical specifics to enable identification of prior cost of replaced parts/components and related accumulated depreciation. So, it is challenging to identify the cost and accumulated depreciation balances that need to be derecognised.</p> <p>Cherwell District Council have material infrastructure assets within their balance sheet, so there is a risk of these being materially mis-stated.</p>
Pension Liability Valuation	Inherent risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Oxfordshire Pension Fund. The Council's pension fund asset is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Oxfordshire Pension Fund .</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>

Overview of our 2021/22 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Accounting for Covid-19 grants	Inherent risk	No change in risk or focus	The Council received a series of grants from UK central government in support for the pandemic crisis management. We identified the accounting treatment of those grants as an area of focus.
Group Boundary Assessment and Consideration of Subsidiary Entities	Inherent risk	No change in risk or focus	<p>The Council owns subsidiary companies and Critchleys provide accounting and external auditing services to both the Graven Hill companies and to Crown House.</p> <p>These entities are significant components based on size. The accounts of the components will need to be consolidated into the Group accounts with appropriate consolidating adjustments. This gives scope for potential material error.</p>

Overview of our 2021/22 audit strategy

Materiality

Planning
materiality

£2,801k

Performance
materiality

£1,405k

Audit
differences

£141k

Materiality for the group has been set at £2,810k (PY £2,429k), which represents 2% (PY 2%) of the gross revenue expenditure in the draft statement of accounts. This comprises of gross expenditure on the provision of services, other operating expenditure and financing and investment expenditure.

Performance materiality has been set at £1,405k (PY £1,822k) which represents 50% (PY 75%) of materiality. We have lowered performance materiality from 75% to 50% for 2021/22 due to the number of errors identified in 2020/21, increasing our expectation of misstatements in 2021/22.

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement and cash flow statement) greater than £141k (PY £121.5k). This represents 5% of planning materiality (PY 5%). Other misstatements identified will be communicated to the extent that they merit the attention of the Accounts, Audit and Risk Committee.

Overview of our 2021/22 audit strategy

Audit scope

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

- Our audit opinion on whether the financial statements of Cherwell District Council give a true and fair view of the financial position as at 31 March 2022 and of the income and expenditure for the year then ended; and
- Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 03.

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

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

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

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

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the ISA 540 (revised) and the value for money conclusion. In Section 09 we have highlighted where additional work will be required for 2020/21 at this stage. We will discuss with management the associated fees as the audit progresses.

Effects of climate-related matters on financial statements and Value for Money arrangements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Overview of our 2021/22 audit strategy

Value for money conclusion

We include details in Section 03 but in summary:

- We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- We will provide a commentary on the Council's arrangements against three reporting criteria:
 - Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
 - Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
 - Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The commentary on VFM arrangements will be included in the Auditor's Annual Report.

Timeline

The Ministry of Housing, Communities and Local Government established regulations to extend the target date for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years).

In December 2021, the Department for Levelling Up, Housing and Communities (DLUHC) announced proposals to extend the deadline for the publication of audited accounts to 30 November for 2021/22.

We are working with the Council to deliver the audit as timely as possible but this will not achieve the deadline of the 30 November 2022 due to a combination of delays in previous years. These delays were caused by a range of issues, some of which were Council specific e.g. receipt of timely information in some key audit areas; and some of which resulted from the impact of the pandemic. We will continue to work with the Council's team to ensure that we take account of capacity and availability for our audit whilst helping to ensure that together we move the audit closer to the national timelines in future.



Page 23

02 Audit risks



Audit risks

Our response to significant risks

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

	What is the risk?	What will we do?
<p data-bbox="118 443 499 499">Misstatements due to fraud or error*</p> <p data-bbox="100 699 136 858" style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 24</p> <p data-bbox="118 810 472 842">Financial statement impact</p> <p data-bbox="107 868 533 1023">Misstatements that occur in relation to the risk of fraud due to management override could affect a number of areas of the financial statements.</p>	<p data-bbox="577 472 1160 695">As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.</p> <p data-bbox="577 715 1122 778">We identify and respond to this risk on every audit engagement.</p>	<p data-bbox="1211 421 1429 448">What will we do?</p> <ul data-bbox="1205 472 2085 679" style="list-style-type: none"> ▶ Inquire of management about risks of fraud and the controls put in place to address those risks. ▶ Understand the oversight given by those charged with governance of management's processes over fraud. ▶ Consider of the effectiveness of management's controls designed to address the risk of fraud. <p data-bbox="1205 687 2085 751">Perform mandatory procedures regardless of specifically identified fraud risks, including:</p> <ul data-bbox="1205 759 2101 935" style="list-style-type: none"> ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements ▶ Assessing accounting estimates for evidence of management bias, and ▶ Evaluating the business rationale for significant unusual transactions. <p data-bbox="1205 959 2018 991">We will utilise our data analytics capabilities to assist with our work.</p>

Our response to significant risks (continued)

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

Inappropriate capitalisation of revenue expenditure due to fraud or error*

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- ▶ Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- ▶ Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating property, plant and equipment (PPE) additions and/or Revenue Expenditure Financed as Capital Under Statute (REFCUS) in the financial statements.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

From our risk assessment, we have assessed that the risk manifests itself solely through the inappropriate capitalisation of revenue expenditure to improve the financial position of the general fund.

What will we do?

We will:

- ▶ Test property plant and equipment (PPE) additions, and REFCUS, to ensure that the expenditure incurred and capitalised is clearly capital in nature or appropriate to be treated as REFCUS.
- ▶ Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

We will utilise our data analytics capabilities to assist with our work, including journal entry testing. We will assess journal entries more generally for evidence of management bias and evaluate for business rationale.

Our response to significant risks (continued)

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

<p>Inappropriate revenue recognition of Other Income - rental income*</p>	<p>What is the risk?</p>	<p>What will we do?</p>
<p>Financial statement impact</p>	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>Councils have a statutory duty to balance their annual budget and are operating in a financially challenged environment with reducing levels of government funding and increasing demand for services. Any deficit outturn against the budget is not a desirable outcome for Cherwell District Council and management, and therefore this desire to achieve budget increases the risk that the financial statements may be materially misstated.</p> <p>In our judgement the risk of manipulation of these revenue streams lies in other income, specifically rental income, as this is reliant on the information produced by Cherwell District Council which are accepted and the requested payments are made to the Council.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ► For rental income, we will lower our testing threshold to satisfy ourselves that other rental income stated is materially correct. We will review the rental income in the financial statements, looking at the rates charged compared to the Council's policy/contracts of rates to charge. <p>We will utilise our data analytics capabilities to assist with our work, including journal entry testing. We will assess journal entries more generally for evidence of management bias and evaluate for business rationale.</p>
<p>We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:</p> <ul style="list-style-type: none"> ► Revenue being inappropriately recognised. <p>If this were to happen it would have the impact of overstating revenue.</p>		

Our response to significant risks (continued)

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

	What is the risk?	What will we do?
<p>Valuation of Land and Buildings - Property, Plant and Equipment (PPE) and Investment Property (IP)</p> <p>Financial statement impact</p> <p>misstatements that occur in relation to valuation could affect:</p> <ul style="list-style-type: none"> - the year end carrying value of PPE and IP (31 March 2022: £123.49m and £60.35m, respectively), - the surplus/deficit on revaluation of PPE (31 March 2022 - £4.3m) 	<p>The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>The Covid-19 pandemic remains ongoing and the related physical restrictions on movement are likely to have an impact on the ability of the Valuer to physically inspect the Trust's buildings.</p> <p>The significant risk is therefore specific to the valuation assertion.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▶ Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre). Our sample will include the Castle Quay shopping centre and we will liaise with our specialists in EY Real Estates as appropriate in the work done. ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP and any significant changes notified to the valuer; ▶ Review assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated; ▶ Consider changes to useful economic lives as a result of the most recent valuation; ▶ Consider the potential impact of Covid-19 on valuation uncertainties; and ▶ Test that accounting entries have been correctly processed in the financial statements.

Our response to significant risks (continued)

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

<p>Valuation of Infrastructure Assets</p>	<p>What is the risk?</p>	<p>What will we do?</p>
<p>Financial statement impact</p> <p>Misstatements that occur in relation to valuation could affect the year end carrying value of infrastructure assets (31 March 2022: £2.5m).</p>	<p>There is a National issue being considered by CIPFA with regards the fact that some local authorities are not compliant with the Code requirements in relation to Infrastructure Assets. The issue is that they are not writing out the gross cost and accumulated depreciation on infrastructure assets when a major part/component has been replaced or decommissioned.</p> <p>Asset registers do not tend to record infrastructure capital expenditure with sufficient detail and geographical specifics to enable identification of prior cost of replaced parts/components and related accumulated depreciation. So, it is challenging to identify the cost and accumulated depreciation balances that need to be derecognised.</p> <p>Cherwell District Council have material infrastructure assets within their balance sheet, so there is a risk of these being materially misstated.</p> <p>The significant risk is therefore specific to the valuation assertion.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Discuss the procedures applied by the Council to ensure infrastructure capital spend is recognised in accordance with the Code; and ▶ Obtain evidence to match the infrastructure subsequent expenditure to the carrying amount of the replaced part or component that is being derecognised.

Audit risks

Other areas of audit focus

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

What is the risk/area of focus?

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Oxfordshire Pension Fund

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2021 this totalled £95.7 million. The draft 21/22 financial statements show a figure of £76.8 million. The remeasurement of the net defined liability is shown as £26.7m in the draft 21/22 financial statements.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary of the Pension Fund.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

- ▶ Liaise with the auditors of Oxfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Cherwell District Council;
- ▶ Assess the work of the Pension Fund actuary, Hymans Robertson, including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team;
- ▶ Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's actuarial model; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements for IAS19.

Other areas of audit focus (continued)

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

What is the risk/area of focus?

New central government grants and other Covid-19 funding streams.

Central Government has provided a number of new and different Covid-19 related grants to local authorities during the year. There are also funds that have been provided for the Council to distribute to other bodies.

The Council needs to review each of these grants to establish how they could be accounted for. It needs to assess whether it is acting as a principal or agent, with the accounting to follow that decision. Where the decision is that the Council is a principal, it must also assess whether there are any initial conditions that may also affect the recognition of the grants as revenue during 2021/22.

Group Boundary Assessment

The Council now has wholly owned subsidiary companies. These entities are significant components based on the size. The accounts of the components will need to be consolidated into the Group accounts with appropriate consolidating adjustments. This gives scope for potential material error

What will we do?

On a sample of the grant and funding population we will:

- Review the Council's decision for new grant or funding arrangements whether it is acting as principal or agent;
- Review whether any initial conditions are attached to grants impacting their recognition;
- Assess whether the accounting appropriately follows those judgements; and
- Check the Council has adequately disclosed grant income received in the year, under both principal and agent arrangements.

We will:

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



03

Value for Money Risks





Value for Money

Council's responsibilities for value for money

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

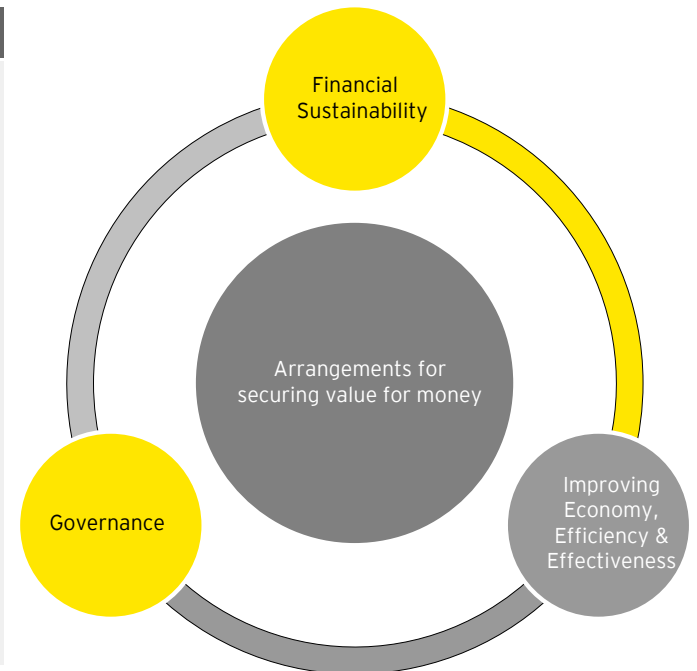
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its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

Auditor responsibilities

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

The specified reporting criteria are:

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





Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Council's arrangements, we are required to consider:

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

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

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

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.



Value for Money

Responding to identified risks of significant weakness

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

Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the commentary on arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2021/22 VFM planning

We have yet to complete our detailed VFM planning. However, one area of focus will be on the arrangements that the Council has in place in relation to financial sustainability - including the impact of Covid-19 on the medium term financial planning.

We will continue to update the Accounts, Audit and Risk Committee on the outcome of our VFM planning and our planned response to any additional identified risks of significant weaknesses in arrangements.



04

Audit materiality

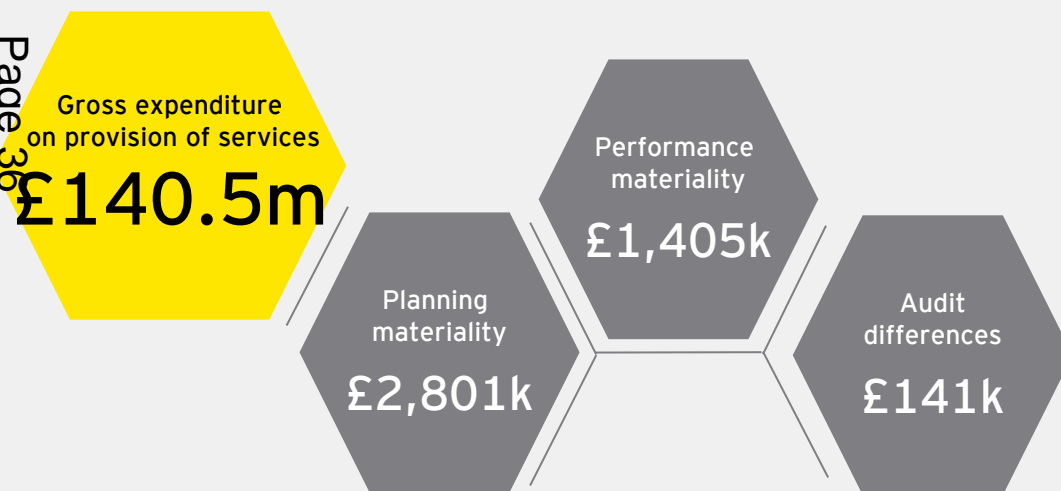


Materiality

Materiality – Cherwell District Council Group

For 2021/22 audit purposes, we are using materiality derived from the draft financial statement, which was set at £2,801k. This represents 2% of the Council's gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.

Page 36



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

Key definitions

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

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality for the Group at £1,405k, which represents 50% of planning materiality. We have lowered performance materiality from 75% to 50% of planning materiality for 2021/22 due to the number of errors identified in 2020/21, increasing our expectation of misstatements in 2021/22.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Accounts, Audit and Risk Committee, or are important from a qualitative perspective.

Specific materiality - We have set a materiality of £5k for officers remuneration, severance pay and members allowances and £1k for audit fees. Related parties will be reviewed based on the nature of the transaction. This which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.

Materiality

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

As explained on the previous page, we also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

Page 39 whether the financial statements give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements; and
- where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

As outlined in Section 03, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

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

For 2021/22 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

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

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

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

Internal audit:

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



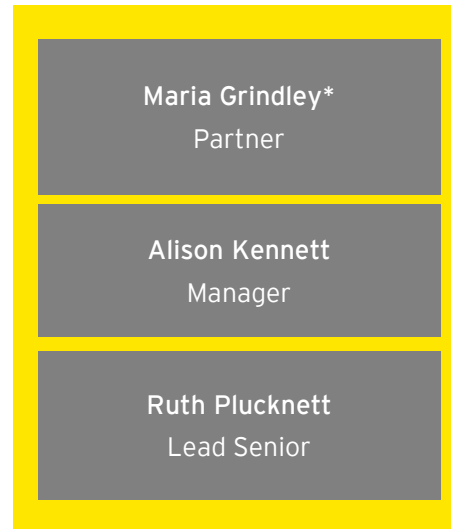
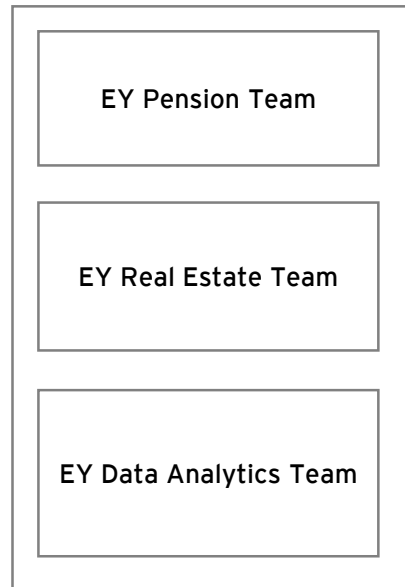
06

Audit team



Audit team

Audit team structure:



Working together with the Authority

We are working together with officers to identify continuing improvements in communication and processes for the 2021/22 audit.

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

* Key Audit Partner

Use of specialists

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

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

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

Page 19

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

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

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



07 Audit timeline 



Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2021/22.

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

Audit phase	Timetable	Audit & Governance Committee timetable	Deliverables
Planning: Risk assessment and setting of scopes. Walkthrough of key systems and processes	May-September 2022	Accounts, Audit and Risk Committee	Draft Audit Planning Report to Committee in September
Year end audit	December 2022-April 2023	Accounts, Audit and Risk Committee	Draft Audit Results Report
Audit Completion procedures	April 2023	Accounts, Audit and Risk Committee	Audit Results Report Audit opinions and completion certificates Annual Audit Letter to follow soon after the sign off



08

Independence



Introduction

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

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
 - ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- The overall assessment of threats and safeguards;
Information about the general policies and process within EY to maintain objectivity and independence.

Page 47

Final stage

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

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

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

Relationships, services and related threats and safeguards

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

Overall Assessment

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

Self interest threats

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

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

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

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

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

Self-review threats

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

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

Management threats

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

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

Relationships, services and related threats and safeguards

Other threats

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

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

Other communications

EY Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021:

https://www.ey.com/en_uk/about-us/transparency-report-2021



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2021/22	Final Fee 2020/21 (with PSAA)
	£	£
Base Audit Fee - Code work (See Note 1)	40,138	40,138
Group consideration	TBC	5,533
Impact of Covid-19	TBC	10,035
RE significant risk work	TBC	7,500
Impact of new ISA540	TBC	2,489
Change to VFM reporting	TBC	6,513
Quality and preparation	TBC	13,006
Pension valuation	TBC	2,625
Increased FRC challenge	TBC	6,000
Technical accounting issues	TBC	
Work of an internal expert	TBC	6,350
Other	TBC	2,113
Total audit fees	TBC	102,302
Review of Grants - Housing Benefit	TBC	29,070
Total fees	TBC	131,372

All fees exclude VAT

(1) The 2020/21 Code work includes an additional fee of £116,350, which relates to additional work. We have discussed the variation with officers, but are awaiting approval from PSAA

(2) For 2021/22, the scale fee will be impacted by a range of factors which will result in additional work. We set out an estimate of the potential additional fee for this below. The issues we have identified at the planning stage which will impact on the fee include:

- Additional procedures to consider the Council's going concern assessment, including our internal consultation requirement.
- The need to engage EY Real Estate to review the valuation of investments in retail assets.
- The need to engage EY Pensions to review assumptions used in the Pensions IAS19 liability.
- Additional work that will be required to address any value for money risks identified.

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

The agreed fee presented is based on the following assumptions:

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

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




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

Appendix B




Required communications with those charged with governance

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

Our Reporting to you

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

Required communications with the Accounts, Audit and Risk Committee (continued)



		 Our Reporting to you
Required communications	 What is reported?	 When and where
Page 53	<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report
	<p>Financial statements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report
	<p>Subsequent events</p> <ul style="list-style-type: none"> ▶ Enquiries of the Accounts, Audit and Risk Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements 	Audit results report
	<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Accounts, Audit and Risk Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Accounts, Audit and Risk Committee responsibility 	Audit results report

Appendix B

Required communications with the Accounts, Audit and Risk Committee (continued)





Our Reporting to you

Required communications	 What is reported?	 When and where
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit Planning Report and Audit Results Report
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Accounts, Audit and Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Accounts, Audit and Risk Committee may be aware of 	Audit results report
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit results report

Appendix B

Required communications with the Accounts, Audit and Risk Committee (continued)

Our Reporting to you

Required communications	 What is reported?	 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report Auditor's Annual Report
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report Audit results report
Value for Money	<ul style="list-style-type: none"> ▶ Risks of significant weakness identified in planning work ▶ Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses. 	Audit planning report Audit results report Auditor's Annual Report

Additional audit information

Objective of our audit

Our objective is to form an opinion on the Group's consolidated financial statements under International Standards on Auditing (UK) as prepared by you in accordance with with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Accounts, Audit and Risk Committee. The audit does not relieve management or the Accounts, Audit and Risk Committee of their responsibilities.

Other required procedures during the course of the audit

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

Our responsibilities required by auditing standards

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

Additional audit information (continued)

Other required procedures during the course of the audit (continued)

Procedures required by the Audit Code	<ul style="list-style-type: none"> ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement. ▶ Examining and reporting on the consistency of consolidation schedules or returns with the Council's audited financial statements for the relevant reporting period
Other procedures	<ul style="list-style-type: none"> ▶ We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

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

Materiality determines the level of work performed on individual account balances and financial statement disclosures.

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

Page 57

EY | Assurance | Tax | Transactions | Advisory

About EY

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

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2019 EYGM Limited.
All Rights Reserved.

ED None

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

ey.com

Cherwell District Council

Audit, Accounts and Risk Committee

28 September 2022

August 2022 Risk Monitoring Report

Report of Assistant Director – Customer Focus (Interim)

This report is public

Purpose of report

This report summarises the Council's Risk monitoring position of August 2022.

1.0 Recommendations

The meeting is recommended:

- 1.1 To consider and comment on the Risk Monitoring.

2.0 Introduction

- 2.1 The Council carries out regular reviews to identify risks at the earliest opportunity, address, assess and mitigate them as soon as possible. The new format of this report will enable the Audit, Accounts and Risk Committee Meeting review the Leadership Risk Register in a timelier manner.
- 2.2 The Leadership Risk Register is a living document and is reviewed to reflect the environment in which the organisation operates; it is also formally reviewed on a monthly basis. Our risk strategy is reviewed annually and reflects the strategic priorities of the council for the forthcoming year.

3.0 Report Details

Risk Update – August 2022

- 3.1 The Council maintains a Leadership Risk Register. This document contains strategic risks that may impact on the performance of the Council as a whole, and in particular, on its ability to deliver its corporate priorities. The latest available version of the risk register at the date this report is published is included in this report as Appendix 1.
- 3.2 The heat map below shows the overall position of all risks contained within the Leadership Risk Register for August 2022

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

Figure 2: Risk scorecard showing the risk scores in the Leadership Risk Register for July 2022

3.3 The Leadership Risk Score Table below shows the overall position of all risks contained within the Leadership Risk Register with the latest updates for August 2022.

Leadership Risk	Score	Direction of travel	Latest Update
L01 Financial Resilience	16 High Risk	↔	Risk reviewed - 13/09/2022 Mitigating actions and comments updated
L02 Statutory functions	9 Low Risk	↔	Risk reviewed - 14/09/2022 No change
L03 CDC Local Plan	12 Medium Risk	↔	Risk reviewed - 13/09/2022 – No change
L04 Business Continuity	12 Medium Risk	↔	Risk Reviewed 05/09/2022 - Comments updated.
L05 Emergency Planning (EP)	12 Medium Risk	↔	Risk Reviewed 05/09/2022 -Comments updated
L06 Safeguarding the Vulnerable – Operational and partnership actions	12 Medium Risk	↔	Risk Reviewed 05/09/2022 - Comments updated.
L07 Health and safety	12 Medium Risk	↔	Risk reviewed 14/09/22 - No changes

L08 Cyber Security	15 Medium Risk	↔	Risk reviewed 02/09/22 - No changes
L09 Safeguarding the vulnerable - Internal procedures	8 Low Risk	↔	Risk Reviewed 14/09/2022 - No changes
L10 Sustainability of Council owned companies and delivery of planned financial and other objectives	6 Low Risk	↔	Risk reviewed 14/09//2022 Comments updated
L11 Financial sustainability of third-party suppliers and contractors	12 Medium Risk	↔	Risk reviewed 07/09/2022 - No changes
L12 Corporate Governance	9 Low Risk	↔	Risk reviewed 07/09/2022 - No changes
L13 Oxfordshire Housing and Growth Deal - (contract with HMG)	12 Medium Risk	↔	Risk reviewed 14/09/2022 - Risk owner and comments updated.
L14 Workforce Strategy	12 Medium Risk	↔	Risk reviewed 14/09/2022 - No changes
L15 Covid-19 Community and Customers	6 Low Risk	↔	Risk reviewed 05/09/2022 - No changes.
L16 Covid-19 Business Continuity	9 Low Risk	↔	Risk reviewed 05/09/2022 - No changes.
L17 Post Covid-19 Recovery	9 Low Risk	↔	Risk reviewed 07/09/2022 -Risk Manager and comments updated
L18 Cessation of joint working between CDC and OCC	5 Low Risk	↓	Risk reviewed 14/09/2022- Controls, risk owner, manager, mitigating actions, residual risk and comments updated

- 3.4 The Leadership Risk Register has been thoroughly reviewed, including re-organisation of the numbering as a consequence of risks closed in the last 6 months, also, as part of the end of year review each risk was reviewed throughout.
- 3.5 The Leadership Risk Register is reviewed by the Corporate Leadership Team as part of the monthly reporting process; however, this is a live document and as such it is updated as and when required at any point during the month.
- 3.6 During August, the Leadership Risk register had one score change, **L18 Cessation of joint working between CDC and OCC**, has decreased its score

from 10 – Medium risk - to 5 - Low risk-. The following table reflects the mitigating actions and score for the mentioned strategic risk. For further details on all risks please go to Appendix 1 Leadership Risk Register August.

- 3.7 The table below shows the details of the risks that changed score during August, including the mitigating actions services are taking.

Leadership Risk	Residual Score (after mitigation)	Direction of travel	Mitigating action
L18 Cessation of joint working between CDC and OCC	5 Low Risk	↓	The transitional plan is adaptable to ensure recommendations can be made to the JSS&P Committee in a timely and effective manner. Risks are managed across the various governance arrangements and monitored by the JSS&P Committee. A decoupling implementation plan is in place for CDC to effectively and efficiently manage the transitional arrangements and risks. An update has been reported to the Overview & Scrutiny Committee.

4.0 Conclusion and Reasons for Recommendation

- 4.1 This report provides an update on progress made during July 2022, to deliver the Council’s priorities through reporting on Leadership Risk Register and providing an update on its Position. The Council is committed to risk management and reviews progress against its corporate priorities on a monthly basis.

5.0 Consultation

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

6.0 Alternative Options and Reasons for Rejection

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

Option 1: This report illustrates the Council's strategic risk management. Regarding the monitoring aspects of the report, no further options have been considered. However, members may wish to request that officers provide additional information.

7.0 Implications

Financial and Resource Implications

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

Comments checked by:

Michael Furness, Assistant Director of Finance / Section 151, Tel: 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:

Helen Lolas, Team Leader, Legal Services,
Helen.Lolas@cherwell-dc.gov.uk, 07801 400941

Risk Implications

- 7.3 This report contains a full update with regards to the Council's risk position at the end of August 2022. There are no risk implications arising directly from this report.

Comments checked by: Celia Prado-Teeling, Interim Assistant Director – Customer Focus, Tel: 01295 221556, Celia.prado-teeling@cherwell-dc.gov.uk

Equalities and Inclusion Implications

- 7.4 There are no equalities nor inclusion implications arising directly from this report.

Comments checked by: Celia Prado-Teeling, Interim Assistant Director – Customer Focus, Tel: 01295 221556 Celia.prado-teeling@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision

Financial Threshold Met: No

Community Impact Threshold Met: No

Wards Affected:

All

Links to Corporate Plan and Policy Framework

This report supports all Corporate Priorities

Lead Councillor

Councillor Richard Mould – Portfolio Holder for Corporate Services

Document Information

Appendix number and title

- Appendix 1 – Leadership Risk Register July 2022

Background papers

None

Report Author and contact details

Celia Prado-Teeling, Interim Assistant Director – Customer Focus, Tel: 01295 221556

Celia.prado-teeling@cherwell-dc.gov.uk

Appendix 1 – Leadership Risk Register as at 14/09/2022

Level of risk	How the risk should be managed
High Risk (16-25)	Requires active management to manage down and maintain the exposure at an acceptable level. Escalate upwards.
Medium Risk (10 -15)	Contingency Plans - a robust contingency plan may suffice together with early warning mechanisms to detect any deviation from the profile.
Low Risk (1 – 9)	Good Housekeeping - may require some risk mitigation to reduce the likelihood if this can be done cost effectively, but good housekeeping to ensure that the impact remains low should be adequate. Re-assess frequently to ensure conditions remain the same.

Risk Scorecard – Residual Risks						
		Probability				
		1 - Remote	2 - Unlikely	3 - Possible	4 - Probable	5 - Highly Probable
Page 6 of 6	5 - Catastrophic	L18				
	4 - Major		L09	L03-L04-L05-L06-L07-L11-L14	L01	
	3 - Moderate		L10-L15	L12-L16-L17	L08- L13	
	2 - Minor		L02			
	1 - Insignificant					

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

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls) Pvl			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2022/23																	
L01 -	Financial resilience – Failure to react to external financial impacts, new policy and increased service demand. Poor investment and asset management decisions.	<p>Reduced medium and long term financial viability</p> <p>Reduction in services to customers</p> <p>Increased volatility and inability to manage and respond to changes in funding levels</p> <p>Reduced financial returns (or losses) on investments/assets</p> <p>Inability to deliver financial efficiencies</p> <p>Inability to deliver commercial objectives (increased income)</p> <p>Poor customer service and satisfaction</p> <p>Increased complexity in governance arrangements</p> <p>Lack of officer capacity to meet service demand</p> <p>Lack of financial awareness and understanding throughout the council</p> <p>Increased inflation in the costs of capital schemes</p> <p>Increased inflation in revenue costs</p>	4	4	16	<p>Medium Term Revenue Plan reported regularly to members.</p> <p>Balanced medium term and dynamic ability to prioritise resources</p> <p>Highly professional, competent, qualified staff</p> <p>Good networks established locally, regionally and nationally</p> <p>National guidance interpreting legislation available and used regularly</p> <p>Members aware and are briefed regularly</p> <p>Participate in Oxfordshire Treasurers' Association's work streams</p> <p>Review of best practice guidance from bodies such as CIPFA, LGA and NAO</p> <p>Treasury management and capital strategies in place</p> <p>Investment strategies in place</p> <p>Regular financial and performance monitoring in place</p> <p>Independent third party advisers in place</p> <p>Regular bulletins and advice received from advisers</p> <p>Property portfolio income monitored through financial management arrangements on a regular basis</p> <p>Asset Management Strategy in place and embedded.</p> <p>Transformation Programme in place to deliver efficiencies and increased income in the future</p>	<p>Fully effective</p> <p>Partially effective</p> <p>Not effective</p>	Councillor Adam Nell	Michael Furness	Joanne Kaye	4	4	16	↔	<p>Posts are filled by appropriately qualified individuals. When posts become vacant the JD is reviewed to ensure it meets the needs of the wider team and that the essential skill levels and experience are appropriate.</p> <p>Investment Strategy agreed annually. Strategic Place Shaping Board providing a gateway process for capital investment decisions which comply with governance framework.</p> <p>Timely and good quality budget monitoring reports, particularly property income and capital.</p> <p>Unit 4 financial system provides improved management information.</p> <p>Introduction and implementation of an Asset Management Strategy.</p> <p>Finance support and engagement with programme management processes, project boards and steering group.</p> <p>Integration and continued development of Performance, Finance and Risk reporting.</p> <p>Regular involvement and engagement with colleagues across the county as well as involvement in Regional and National finance forums.</p> <p>Regular member training and support. Briefings provided on key topics to members with particular focus on key skills for specific committees such as audit committee.</p> <p>Budget setting will not be an annual event, but will be a continuous process of reviewing budget monitoring and reflecting trends in the MTFs.</p> <p>Regular utilisation of advisors as appropriate.</p> <p>Internal Audits being undertaken for core financial activity and capital as well as service activity.</p> <p>Summarise and distribute announcements to CLT, Leader and Lead Member for Finance as and when announcements are made relating to Spending Reviews and other government announcements affecting Local Government.</p> <p>Financial forecasts of resources for 2023/24 have assumed a reduction in resources that will be available from business rates compared to February 2022 assumptions. The budget for 2022/23 was agreed with savings proposals identified to address these reductions. Close monitoring of the delivery of the savings programme took place throughout 2021/22 with mitigations required if slippage was identified. Council agreed a balanced 2022/23 budget at its meeting on 28 February 2022. If resources were to fall significantly below the 2022/23 forecast level the Council has made a number of contingencies available in 2022/23 and, if required, a review of which reserves could be made available to mitigate this would be required (e.g. due to greater ongoing impact of Covid-19 or due to further economic shocks in the short-term). A similar approach to reviewing reserve availability could be adopted if the cost of goods we purchase were to increase. Ongoing impacts would be addressed as part of the 2023/24 budget process. A business rates reset is assumed from 2023/24 which will significantly reduce the resources available to the Council. Should resources from business rates fall much below this (e.g. due to any further ongoing impacts to the economy) then resources would be supplemented by a "safety net" payment from the Government under the current regime. The budget process for 2023/24 has begun with savings proposals sought that would enable the Council, if necessary, to operate within the forecast level of resources. Where the Government has issued consultations on future approaches to funding local government CDC has responded to ensure its views are considered. New capital bids submitted will be questioned to ensure increases in cost assumptions have been reflected and that there is an identified business need.</p>	<p>The team is currently fully staffed with appropriately qualified individuals. Continuous Professional Development opportunities are offered and maximised by CIPFA, LGA, Link, Pixel. New financial system helping to support the monitoring process.</p> <p>Investment options considered as and when they arise, MTFs and budget setting continue to enhance the scrutiny and quality of investments.</p> <p>Improvements to business partnering and budget management continue to be identified and implemented. Asset Management Strategy to be finalised and approved by Council.</p> <p>Depending on the profile of the project, finance rep will either be at Strategic or Finance Business Partner or Service Accountant level. Involvement will reflect locally on outcomes.</p> <p>Integrated reporting has been embedded but needs to be adapted to reflect requirements of the committees at which it's elements are scrutinised.</p> <p>Engagement with a number of national and regional networks to ensure we are as up-to-date as we can be in relation to potential funding changes from 2023/24 and impact on our MTFs.</p> <p>Regular training will be undertaken. Most recently, to induct newly elected members on the Council's finances, and the induction of new members of the Accounts Audit and Risk committee.</p> <p>Updated budget monitoring for 2022/23 with a greater focus on savings delivery and budget management. Introduction of Budget Oversight Group will review budget position monthly in order to challenge budget holders to manage their budgets within approved parameters.</p> <p>Borrowing strategy recently reviewed in consultation with our financial advisors (amongst others).</p> <p>Regular reporting of progress on internal audits considered by the Accounts Audit and Risk Committee.</p> <p>No detail in the Spending Review to be able to plan for additional resources with any confidence - must wait for Local Government Finance Settlement 2023 to understand the impact.</p> <p>The Council currently anticipates a medium and long term funding shortfall in overall terms. Set alongside the anticipated funding reductions anticipated to start from 2024-25 the financial resilience of the Council could be severely impacted. The Council set its 2022/23 budget on 28 Feb 2022 and now needs to monitor the delivery of the budget and begin preparations for the 2023/24 budget process. The Government has announced a 3 year Spending Review for 2022/23 - 2024/25 in October 2021. This provided the resource envelope for Government Departments to operate in and has set out an overall increase in local government spending power over the three year period, but did not provide any specific funding allocations for individual local authorities.</p>	Risk reviewed - 13/09/2022 Mitigating actions and comments updated

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls) Pvl			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2022/23																	
L02 -	Statutory functions – Failure to meet statutory obligations and policy and legislative changes are not anticipated or planned for.	Legal challenge Loss of opportunity to influence national policy / legislation Financial penalties Reduced service to customers Inability to deliver council's plans Inability to realise commercial opportunities or efficiencies Reduced resilience and business continuity Reduced staff morale, increased workload and uncertainty may lead to loss of good people	3	4	12	Embedded system of legislation and policy tracking in place, with clear accountabilities, reviewed regularly by Directors. Clear accountability for responding to consultations with defined process to ensure Member engagement National guidance interpreting legislation available and used regularly Risks and issues associated with Statutory functions incorporated into Directorate Risk Registers and regularly reviewed. Clear accountability for horizon scanning, risk identification / categorisation / escalation and policy interpretation in place Robust Committee forward plans to allow member oversight of policy issues and risk management, including Scrutiny and Audit Internal Audit Plan risk based to provide necessary assurances Strong networks established locally, regionally and nationally to ensure influence on policy issues. In addition two Directors hold leading national roles. Senior Members aware and briefed regularly in 1:1s by Directors Arrangements in place to source appropriate interim resource if needed Ongoing programme of internal communication Programme Boards in place to oversee key corporate projects and ensure resources are allocated as required. CDC Extended Leadership Team (ELT) Meetings established to oversee and provide assurance on key organisational matters including	Partially Fully Fully Fully Partially Fully Fully Fully Fully Fully Fully Fully Fully Fully	Councillor Barry Wood	Shahin Ismail	Helen Lolas	3	3	9	↔	Establish corporate repository and accountability for policy/legislative changes taking into consideration all of the Council's functions. Review Directorate/Service risk registers. Ensure Committee forward plans are reviewed regularly by senior officers. Ensure Internal Audit plan focusses on key leadership risks. Appointed Interim officer regarding FOIs/EOIs and enquiries. Regular reports to CLT and DLT outline our performance regarding meeting statutory deadlines. Learning and development opportunities identified and promoted by the Chief Executive and Directors. First tranche of Senior Leadership training/development begins in August, and is cascaded throughout 2022/23. Regular communications from Chief Executive. Quarterly staff briefings from Assistant Directors. External support secured for key corporate projects including Growth Deal and IT Transformation Programme.	Development in legislation continues to be closely monitored as implemented e.g. subsidy control (formerly state aid regime) being reviewed and government guidance tracked as it is developed and published. Additional steps are under way to develop a regular review of legislative developments that will be service team focused to enhance awareness of statutory obligations and legal developments.	Risk reviewed - 14/09/22 No change
L03 -	CDC Local Plan - Failure to ensure sound, up to date local plan remains in place for Cherwell resulting in poor planning decisions such as development in inappropriate locations, inability to demonstrate an adequate supply of land for housing and planning by appeal	Poor planning decisions leading to inappropriate growth in inappropriate place. Negative (or failure to optimise) economic, social, community and environmental gain Negative impact on the council's ability to deliver its strategic objectives, including its commitments within the Oxfordshire Housing & Growth Deal Increased costs in planning appeals Reputational damage with investor community of Cherwell as a good place to do business created by uncertainty/ lack of policy clarity	4	4	16	Local Development Scheme (LDS) is actively managed and reviewed, built into Service Plan, and integral to staff appraisals of all those significantly involved in Plan preparation and review Team capacity and capability kept under continual review with gaps and pressures identified and managed at the earliest opportunity. On-going review of planning appeal decisions to assess robustness and relevance of Local Plan policies	Partially Partially Partially	Councillor Colin Clarke	Ian Boll	David Peckford	3	4	12	↔	Regular review meetings on progress and critical path review. Regular Corporate Director and Lead Member briefings. LDS updated as required with programme management approach adopted to ensure progress against plan. Regular Corporate Director and Lead Member briefings LDS updated as required with programme management approach adopted to ensure progress against plan LDS timeline built into Directorate level objectives (e.g. via Service Plans) and incorporated into SMART targets within staff appraisals. Authority Monitoring Reports continue to be prepared on a regular annual basis.	The Local Development Scheme (LDS) was last updated in September 2021. It includes programmes for the Oxfordshire Plan 2050, a Local Plan Review, the Banbury Canalside Supplementary Planning Document and work on a Community Infrastructure Levy (CIL). The Oxfordshire Local Planning Authorities agreed to stop work on the Oxon Plan in August 2022. Local Plans for the City and Districts will now provide the framework for the long term planning of Oxfordshire. An issues consultation for the Cherwell Local Plan Review was completed on 14 Sept 2020. An Options consultation was undertaken from 29 September to 10 November 2021. A draft Local Plan is scheduled to be presented to the Executive in November 2022. The programmes for work on the Canalside SPD and CIL are aligned to the Local Plan review timetable and will be updated as work on the Plan progresses.	Risk reviewed - 13/09/2022 No change

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls) Pvl			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2022/23																	
L04-	Business Continuity - Failure to ensure that critical services can be maintained in the event of a short or long term incident impacting on the delivery of the Council's operations	Inability to deliver critical services to customers/residents Financial loss/ increased costs Loss of important data Inability to recover sufficiently to restore non-critical services before they become critical Loss of reputation Reduced service delivery capacity in medium term due to recovery activity	4	4	16	Business continuity strategy, statement of intent and framework in place and all arrangements overseen by a Business Continuity Steering Group Services prioritised and ICT recovery plans reflect those priorities and the requirements of critical services ICT disaster recovery arrangements in place with data centre and cloud services reducing likelihood of ICT loss and data loss Incident management team identified in Business Continuity Framework All services undertake annual business impact assessments and updates of business continuity plans All services maintain business continuity plans	Fully Fully Fully Fully Partially Partially	Councillor Eddie Reeves	Ian Boll	Richard Webb	3	4	12	↔	Business Continuity Statement of Intent and Framework due to be reviewed to align with new incident management framework Cross-council BC Steering Group meets regularly to identify BC improvements needed ICT transition to data centre and cloud services has reduced likelihood of ICT loss and data loss Corporate ownership and governance revised as a result of separation of OCC and CDC BC Impact assessments and BCPs to be updated and reviewed by OCC's Emergency Planning team BC exercises to be arranged Updated incident management framework agreed August 2021	The Council's business continuity plans ensured that critical services could continue to be provided throughout the lockdown periods. Remote working enables most teams to work effectively from home and sustain services in the event of travel disruption of inability to use council buildings. A new incident management framework is being developed following the end of the formal partnership with OCC and some further work is required to ensure this new IMF aligns with our BC policy framework. A document repository and management system is under development for key business continuity plans. Teams have been asked to update BIAs for September in advance of a complete review of Business Continuity Plans.	Risk Reviewed - 05/09/2022 Comments updated.

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls) Pvl			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2022/23																	
L05 -	Emergency Planning (EP) Failure to ensure that the local authority has plans in place to respond appropriately to a civil emergency fulfilling its duty as a category one responder	Inability of council to respond effectively to an emergency Unnecessary hardship to residents and/or communities Risk to human welfare and the environment Legal challenge Potential financial loss through compensation claims Ineffective Cat 1 partnership relationships Reputational damage	4	4	16	Incident Management Framework in place and key contact lists updated monthly. Emergency Planning Lead Officer defined with responsibility to review, test and exercise plan and to establish, monitor and ensure all elements are covered Expert advice and support provided by Oxfordshire County Council's Emergency Planning Team under partnership arrangements. Council Duty Directors attend training relating to role prior to joining duty director rota and have refresh training annually Multi agency emergency exercises conducted to ensure readiness Active participation in Local Resilience Forum (LRF) activities	Fully Fully Fully Fully Partially Fully	Councillor Eddie Reeves	Ian Boll	Richard Webb	3	4	12	↔	Emergency plan contacts list being updated monthly and reissued to all duty managers periodically. Available on ELT Teams channel OCC Emergency Planning providing expert advice and support under a partnership arrangement which will continue post decoupling. Supporting officers for incident response identified in the emergency plan and wallet guide but requires refresh following separation from OCC. Refreshed incident management plan being developed following separation from OCC. Training provided for all Duty Directors in late 2021 and early 2022. All senior managers who provide the Duty Director rota have opportunity attend multi-agency exercises and duty manager training with OCC senior managers. On-call rota being maintained and to be updated to reflect recent staffing changes Authority continues to be represented at the Local Resilience Forum	The council is maintaining its duty director rota for any emergency incidents that might arise. A new Incident Response Framework is being prepared to reflect changes following separation from OCC. Duty Directors have access to this framework on the Cherwell Resilience Direct pages. Duty director rota being revised to reflect decoupling arrangements and consequential staffing changes. A 'lessons learned' review is being conducted of an incident in July which resulted in no disruption to the council but tested our response arrangements.	Risk Reviewed - 05/09/2022 Comments updated
L06-	Safeguarding the Vulnerable – Operational and partnership actions. Failure to work effectively with partners to identify and protect vulnerable people in the district and disrupt exploitation leaving vulnerable people at risk or subject to exploitation.	Increased harm and distress caused to vulnerable individuals and their families. Council subject to external reviews Criminal investigations potentially compromised Potential financial liability if council deemed to be negligent. Reputational damage to the council.	4	4	16	Community Safety Partnership monitors risks and oversees the actions needed to reduce risks of exploitation Engagement with Joint Agency Tasking and Co-ordinating Group (JATAC) and Cherwell Operations Group to share information and plan actions on known risks and vulnerable people with partners. Representation at county Child Exploitation sub-group of the Safeguarding Children Board, the countywide Modern Slavery Partnership and Safer Oxfordshire Partnership. Representation at the Children Missing and Exploited Network meetings for north Oxfordshire. Engagement at an operational and tactical level with relevant external agencies and networks to deliver community based disruption and preventative actions. Arrangements in place to ensure local framework of partnership meetings are effective and robustly identify and tackle risks.	Partially Fully Fully Fully Partially Partially	Councillor Eddie Reeves	Ian Boll	Richard Webb	3	4	12	↔	Engagement with CE workstream following the Jacob CSPR to identify improvements to local arrangements. Implement local changes to the child exploitation system to address findings in the Jacob CSPR. CSP to adopt improved oversight of the local arrangements to ensure these are effective. Community based exploitation disruption models to be developed and implemented. Continue to engage with partnership arrangements in place to identify risks.	Work is continuing to implement changes to the local arrangements for tackling child exploitation following the Jacob CSPR. Plans are in development for local reporting on exploitation risks to Community Safety Partnerships which will support the Partnership to ensure that local response arrangements are effective.	Risk Reviewed - 05/09/2022 Comments updated.

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls) Pvl			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2022/23																	
L07-	Health and safety Failure to ensure effective arrangements are in place for Health and Safety.	Unsafe services leading to fatality, serious injury & ill health to employees, service users or members of the public	5	4	20	Corporate H&S governance arrangements and policies are regularly reviewed and updated by the Corporate H&S Team and monitored by the H&S Assurance Board.	Fully	Councillor Richard Mould	Claire Cox	Martin Green	3	4	12	↔	As a result of decoupling from OCC the strategic H&S lead is no longer in place but a recruitment campaign in progress to recruit a Health and Safety Manager who will take a corporate lead on Health and Safety matters. Post decoupling CLT will have monthly monitoring of H&S matters as a standing item at CLT meetings. The corporate H&S register will be managed and monitored with a focus on the depots as our highest risk areas. Corporate H&S Auditing and Inspection programme on track. Reports issued to managers and actions tracked for completion.	Risk re-evaluated in light of decoupling from OCC and the need for a Corporate lead to be recruited Risk Manager and Head of Paid Service on and changed to amber due to need to recruit coporate lead following decoupling.	Risk reviewed - 14/09/22 No changes
Criminal prosecution for failings Breach of legislation and potential for enforcement action.	Directors and service leads are responsible for ensuring H&S arrangements are in place within their areas or responsibility. Managers are responsible for ensuring operational health and safety risks are assessed and effective control measures implemented.	Fully															
Financial impact (compensation or improvement actions)	Consultation with employee representatives via employer and union consultative committees (Unison)	Fully															
Reputational Impact	Corporate H&S Training provided via corporate learning and development programme. Training for operational risks may be organised by services.	Fully															
	H&S performance monitored by accident and incident reports and corporate H&S auditing and inspection programme.	Fully															
	H&S information is disseminated via internal communications and updates to ELT and other relevant meetings.	Fully															

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls) Pvl			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2022/23																	
L09-	Safeguarding the vulnerable - Internal procedures - Failure to follow our internal policies and procedures in relation to safeguarding vulnerable adults and children or raising concerns about their welfare.	Increased harm and distress caused to vulnerable individuals and their families Council could face criminal prosecution Criminal investigations potentially compromised Potential financial liability if council deemed to be negligent Reputational damage to the council	4	4	16	Safeguarding lead in place and clear lines of responsibility established Safeguarding Policy and procedures in place Information on the intranet on how to escalate a concern Mandatory training and awareness raising sessions are now in place for all staff. Safer recruitment practices and DBS checks for staff with direct contact Data sharing agreement with other partners Attendance at Children and Young People Partnership Board (CYPPB) Annual Section 11 return compiled and submitted as required by legislation.	Fully Fully Fully Fully Fully Fully Fully	Councillor Phil Chapman	Yvonne Rees	Nicola Riley	2	4	8	↔	Monitoring of implementation of corporate policies and procedures to ensure fully embedded Ensure web pages remain up to date Annual refresher and new training programmes including training for new members Attendance at safeguarding boards and participation in learning events Continue to attend safeguarding board sub groups as necessary to maintain high levels of awareness within the system and compliance with latest practice Regular internal cross departmental meetings to discuss safeguarding practice Action plan acted upon and shared with Overview and scrutiny committee once a year Corporate monitoring of all referrals	Risk revised in April 2022 to separate internal processes supporting the council to protect the vulnerable from externally focussed operational activities (now proposed new L20 Safeguarding the Vulnerable – Operational and partnership actions. Action plan from the 2021/22 peer review are being implemented to ensure our processes are delivering the improvements suggested	Risk Reviewed - 14/09/2022 No changes
L10-	Sustainability of Council owned companies and delivery of planned financial and other objectives - failure of council owned companies to achieve their intended outcomes or fail to meet financial objectives	Unclear governance leading to lack of clarity and oversight in terms of financial and business outcomes Failure of council owned companies to achieve their intended outcomes or fail to meet financial objectives Lack of understanding at officer and member level about the different roles of responsibilities required when managing council owned companies Potential impact of local government re-organisation (Northamptonshire) on CSN	3	4	12	Annual business planning in place for all companies to include understanding of the link between our objectives being delivered and financial impact for the council. A regular Shareholder Representative meeting takes place, a Shareholder Liaison Meeting including the S.151 Officer and Monitoring Officer takes place on a quarterly basis and a Shareholder Committee meeting on a quarterly basis. Financial planning for the companies undertaken that will then be included within our own Medium term financial plan Ensure strong corporate governance mechanisms are in place Sound monitoring in place of both business and financial aspects of the companies and the impact on overall council performance Training in place for those undertaking roles relating to the companies	Fully Fully Partially Fully Partially	Councillor Adam Nell	Stephen Hinds	Nathan Elvery	2	3	6	↔	A Shareholder Representative has been appointed following the decoupling from OCC, the Shareholder Representative is a former Chief Executive, regular governance arrangements are in place. Resilience and support being developed across business to support and enhance knowledge around council companies. Skills and experience being enhanced to deliver and support development, challenge and oversight. Work with one company to ensure long term support arrangements are put in place. Ongoing shareholder meetings key to understanding impact of Northamptonshire reorganisation	A formal governance review is being undertaken by the Shareholder Representative and the Monitoring Officer following the decoupling from OCC as part of the overall Transition Plan. The update Governance report was taken to CLT on 14th September.	Risk reviewed - 14/09/22 Comments updated

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls) Pvl			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2022/23																	
L11-	Financial sustainability of third-party suppliers and contractors	The financial failure of a third party supplier and contractors results in the inability or reduced ability to deliver a service to customers or provide goods needed. A reduced supply market could also result in increased costs due to the council's loss of competitive advantage. Reduced resilience and business continuity Increased complaints and/or customer dissatisfaction Increased costs and/or financial exposure to the Council due to having to cover costs or provide service due to failure of third party supplier of contractor	3	4	12	Ensure contract management in place review and anticipate problems within key service suppliers and partners Business continuity planning arrangements in place in regards to key suppliers Ensuring that proactive review and monitoring is in place for key suppliers to ensure we are able to anticipate any potential service failures Intelligence unit set up procurement Hub to monitor supplier and contractor market Analysis of third party spend undertaken to identify and risk assess key suppliers/contractors	Partially Partially Partially Fully Fully	Councillor Adam Nell	Stephen Hinds	Simon Moody	3	4	12	↔	Service areas to hold meetings as required with suppliers to review higher risk areas and ensure risks are being managed. Reminders to be sent to all who have Procurement/Contract Management responsibility to regularly meet with key suppliers and partners to gain early understanding of the effects of COVID-19 lockdown, have on supply. The Procurement Team is now providing ELT members and identified Contract Mangers a monthly update of all suppliers with spend above £25k c/w a credit risk rating score to enable contract managers to manage any identified risks, with support from the Procurement Team. Furthermore, as a result of Covid-19 the likelihood of this risk is deemed to have increased and thus the procurement and finance team now hold a weekly joint meeting to consider funding solutions to support At Risk Suppliers in accordance with the national guidance note PPN04/20. Business continuity plans in place		Risk reviewed 07/09/22 - No changes

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls) Pvl			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2022/23																	
L12-	Corporate Governance - Failure of corporate governance leads to negative impact on service delivery or the implementation of major projects providing value to customers.	Threat to service delivery and performance if good management practices and controls are not adhered to. Risk of ultra vires activity or lack of legal compliance Risk of fraud or corruption Risk to financial sustainability if lack of governance results in poor investment decisions or budgetary control. Failure of corporate governance in terms of major projects, budgets or council owned companies impacts upon financial sustainability of the council. Inability to support Council's democratic functions / obligations (e.g. return to physical public meetings and public access to meetings). Elements of the COVID-19 response and recovery work may be compromised, delayed or not taken forwards.	4	4	16	Clear and robust control framework including: constitution, scheme of delegation, ethical walls policy etc. Clear accountability and resource for corporate governance (including the shareholder role). Integrated budget, performance and risk reporting framework. Corporate programme office and project management framework. Includes project and programme governance. Internal audit programme aligned to leadership risk register. Training and development resource targeted to address priority issues; examples include GDPR, safeguarding etc. HR policy framework. Annual governance statement process undertaken for 2021/22 connects more fully and earlier with ELT and CLT. Annual Review of the Constitution will take place each Autumn led by the Overview & Scrutiny Committee and approved by Full Council	Fully Fully Fully Partially Fully Partially Partially Fully Fully	Councillor Barry Wood	Yvonne Rees	Shahin Ismail	3	3	9	↔	Standing item at senior officer meetings – regular review of risk and control measures - through CLT and DLTs. Leadership programme identifying Programme and Project Management is being developed and rolled out to ELT during 2022/23. The Monitoring Officer is a member of full member of CLT. The Annual Governance Statement was produced and has been published. The Corporate Governance Assurance Group continues to map governance processes to ensure visibility and to refresh them.	Risk is currently under complete review. A fundamental review of organisational risks and risk policy is ongoing.	Risk reviewed 07/09/22 - No changes

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls) Pvl			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2022/23																	
L13-	Oxfordshire Housing and Growth Deal - (contract with HMG)	<p>Failure to meet its obligations as a partner within the Growth Deal could see Cherwell as a factor in Government holding back some or all of its funding and/or cease to extend the arrangement beyond 2023.</p> <p>Failure to replace Programme Management Officer could adversely affect delivery and stability of the overall Cherwell programme.</p> <p>Infrastructure milestone delivery late (for infrastructure linked to accelerated)</p> <p>Delivery of Infrastructure projects fail to accelerate housing delivery as commercial pressures impact house builders</p> <p>Delivery of affordable houses below programme targets as GD contributions insufficient to attract sufficient builders/registered providers</p> <p>Oxfordshire Plan delivered late</p>	4	5	20	<p>Established programme structure and partnership ethos to support effective programme delivery.</p> <p>Put suitable arrangements in place to deliver the Project Management function.</p> <p>Engagement with housing developers to understand their commercial constraints.</p> <p>Identify potential "top up" schemes to supplement GD affordable housing scheme.</p> <p>Utilise effective Programme controls to facilitate prompt escalation of issues to enable appropriate decision making and delivery timescale review.</p> <p>Develop Year 5 (final year) Plans of Work to detail the expected delivery by CDC for Year 5 of the Growth Deal Programme; building on the experiences and knowledge gained during previous years.</p>	<p>Fully effective</p> <p>Partially effective</p> <p>Not effective</p>	Councillor Barry Wood	Ian Boll	Robert Jolley	4	3	12	↔	<p>A CDC GD programme and programme board capability.</p> <p>Meetings to take place with key colleagues to implement suitable arrangements to deliver the Project Management function.</p> <p>Work stream plans of work (work stream brief, schedule, RAID log) .</p> <p>Structured engagement with developers to better understand their needs.</p> <p>Appropriate escalation of issues to agree programme flexibilities where required.</p> <p>Improved collaboration working with partners.</p> <p>Ongoing work with partners to realistically reflect deliverable schemes within programme time frame.</p>	The remaining workstreams within the Oxfordshire Housing and Growth Deal Programme in Cherwell remain substantially on track. It should be noted, however, that the Oxfordshire Plan 2050 ceased in August 2022 and the implications of this are currently being assessed by the relevant parties.	Risk reviewed 14/09/2022 - Comments and risk owner updated.
L14-	Workforce Strategy The lack of effective workforce strategies could impact on our ability to deliver Council priorities and services.	<p>Limit our ability to recruit, retain and develop staff</p> <p>Impact on our ability to deliver high quality services</p> <p>Overreliance on temporary staff</p> <p>Additional training and development costs</p>	3	4	12	<p>Analysis of workforce data and on-going monitoring of issues.</p> <p>Key staff in post to address risks (e.g. strategic HR business partners)</p> <p>Weekly Vacancy Management process in place</p> <p>Ongoing service redesign will set out long term service requirements</p>	<p>Partially</p> <p>Fully</p> <p>Fully</p> <p>Partially</p>	Councillor Richard Mould	Yvonne Rees	Claire Cox	3	4	12	↔	<p>Development of relevant workforce plans.</p> <p>Development of new L&D strategy, including apprenticeships.</p> <p>Development of specific recruitment and retention strategies. It is planned for CDC to develop a framework that suits the needs of all services ensuring that the Council has access to a much wider pool of staffing agencies at competitive rates.</p> <p>There are indications that specific service areas are beginning to experience recruitment difficulties for professional roles. HR is working with the relevant directors to consider alternative resourcing methods.</p> <p>The new IT system has been implemented to improve our workforce data and continues to be developed to improve our ability to interrogate and access key data (ongoing) in order to inform workforce strategies.</p>	There are a number of emerging issues in terms of recruitment and retention within the local government workforce especially at entry level roles where competition with the private sector is fierce and in senior management roles where there tends to be an ageing workforce. HR is working with areas experiencing recruitment and retention difficulties.	Risk reviewed 14/09/2022 - No changes

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls) Pvl			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2022/23																	
L15-	Covid-19 Community and Customers Significant spread of the Covid-19 virus results in potential impacts in terms of customers and communities. Including community resilience, ability to access services, consequences of prolonged social distancing or isolation, economic impacts to business, including but not limited to the visitor economy.	Possible reductions in frontline service delivery, events, meetings and customer contact. Economic hardship impacting local business and potentially the local workforce. Impact on vulnerable residents who may find it harder to access services. Increased demand on both frontline and enabling services. Prolonged risk of social isolation and the mental and physical consequence thereof.	5	4	20	Business Continuity Plans have been reviewed and tested to ensure the ongoing delivery of priority services. Remote (home based) working in place, to facilitate self isolation and limit impact on service delivery. Communications stepped up, to support remote working, reinforce national guidelines and set out the current organisational response. Regular updates from Director of Public Health, shared internally and externally. Partnership communications. Partnership communications enhanced and regular conversations convened.	Fully Partially Fully Fully	Councillor Barry Wood	Yvonne Rees	Richard Webb	2	3	6	↔	Council and partnership business continuity and emergency planning arrangements for the Covid-19 response suspended in recognition of the current situation. Outbreak planning and Standard Operating Procedures are in place and could be implemented rapidly if required.	There is continuing monitoring of case numbers, infection rates and impacts in the health system through the Oxfordshire System and Cherwell are involved with these groups to understand any increase in risk . Risk currently low due to prevalent strain of Covid-19 not having serious health impacts in most people. Consequentially, the impacts on health system and economy are reduced. Monitoring only at this time.	Risk reviewed 05/09/2022. No changes.

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls) Pvl			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2022/23																	
L16-	Covid-19 Business Continuity Significant staff absence due to the Covid-19 virus results in potential impacts on frontline service delivery and the ability to run the councils' business on a day to day basis.	Possible reductions in frontline service delivery, events, meetings and customer contact. Potential confusion amongst staff with regards to how to plan and respond to reduced service availability, professional support and maintain business as usual. Requirement to reprioritise service delivery. Requirement to offer mutual aid to partner organisations. Potential impact in the medium to long term resilience of staff may result in wider wellbeing issues.	3	4	12	Business Continuity Plans in place. Guidance supports managers to enable agile working and is updated in response to changing conditions. Remote working capability across all relevant council teams. Regular updates from Director of Public Health, shared internally and externally.	Fully Partially Fully Fully	Councillor Barry Wood	Ian Boll	Richard Webb	3	3	9	↔	Council and partnership business continuity and emergency planning arrangements suspended to reflect current low Covid-19 impacts but remain in place for rapid implementation if required. IT remote working arrangements are sustainable. Monitoring for risk escalation only.	The nature of the risk is such that national public health guidelines will determine the councils' response. Staff absences due to Covid-19 are low. Agile working and flexibility to continue. Hybrid meetings are tested and operational.	Risk reviewed 05/09/2022. No changes.
L17-	Post Covid-19 Recovery - challenges associated with adverse impact on customers, our workforce and the budget.	Long term response to the current covid-19 pandemic Requirement to review service delivery Budget implications	4	4	16	Local plans have been revised in line with the national winter plan and revised contain strategy. Most legal restrictions now removed. CDC fully participates in cross county partnerships to plan for the post-pandemic period. New Council business and budget plans reflect financial, service and community impact.	Partially Partially	Councillor Barry Wood	Yvonne Rees	Stephen Hinds	3	3	9	↔	Governance programme reviewed, shared and implemented. Programme support arrangements continue in place and joint Recovery and Renewal Framework due to review at Cabinet in March, 2022.	Work is ongoing to support recovery from Covid, necessarily focused on support for voluntary groups and implementing the various grants and support arrangements available. The individual elements in L17 are now covered within the existing risks of L01, L11, L14, L15 and L16. This risk is now being transitioned into a current economic climate risk from relating to inflation and the cost of living crisis being encountered by the Council, its residents, partners and businesses. A briefing to Scrutiny around the work the Council is undertaking regarding the Cost of Living support the Council provides. A Food Inclusivity Working Group has been agreed, with a ToR to be finalised, as will the membership. These elements will form the new risk and foramly close L17 in 2022. The new risk will have an Inherent Risk Rating of 16, with a residual risk register of 12.	Risk reviewed 07/09/2022 -Risk Manager and comments updated
L18-	Cessation of joint working between CDC and OCC - Ending of the section 113 arrangement (formal partnership agreement) between Cherwell and Oxfordshire results in increased costs or service delivery impacts.	Without an effective transition plan, relevant advice, capacity and a partnership approach to the withdrawal from the formal relationship there is a risk that the of service disruption and additional financial implications for either authority. Uncertainty and change can also impact upon staffing and performance.	5	4	20	Cherwell DC have employed an experienced former Chief Executive who has extensive experience in partnership working, the decoupling and creation of partnerships as the Chief Operating Officer to oversee the decoupling transition plan. Legal, governance and employment advice for both parties in place and a transitional plan is under development. Separate statutory officer arrangements have been established. Governance arrangements have been established including a Joint Decoupling Delivery Group (JDDG), Joint Officer Transition Working Group (JOTWG) and a Joint Shared Services & Personnel Committee (JSS&P Committee) Parties continuing to collaborate within a transitional framework and may seek to continue collaboration in some areas under different operating or service delivery models. Additional programme/project resources to be sought to oversee and implement transition. Communications and engagement with affective staff is in place. Transitional Plan is based on 3 x Phase over 3 x meetings with the JSS&P Committee and supporting officer governance arrangements.	Full Full Full Full Full Full Full	Councillor Barry Wood	Yvonne Rees	Nathan Elvery	1	5	5	↓	The transitional plan is adaptable to ensure recommendations can be made to the JSS&P Committee in a timely and effective manner. Risks are managed across the various governance arrangements and monitored by the JSS&P Committee. A decoupling implementation plan is in place for CDC to effectively and efficiently manage the transitional arrangements and risks. An update has been reported to the Overview & Scrutiny Committee.	Transition plan has identified 24 service review are to be recommended to the JSS&P Committee during the period March 2022 to July 2022. A detailed CDC implementation plan is in place a monitored on a regular basis via a sub-group of the Corporate Leadership Team - Decoupling Programme Board.	Risk reviewed 14/09/2022 - Controls, risk owner, manager, mitigating actions, residual risk and comments updated

L03 - Local Plan Risk

The latest Local Development Scheme is that approved by the Executive in September 2021. It includes the programmes for the Oxfordshire Plan 2050, a Local Plan Review, the Banbury Canalside Supplementary Planning Document and work on a Community Infrastructure Level (CIL).

Oxfordshire Plan 2050

The Oxfordshire Local Planning Authorities agreed to stop work on the Oxon Plan in August 2022. Local Plans for the City and Districts will now provide the framework for the long term planning of Oxfordshire.

Local Plan Review

An issues consultation was undertaken in 2020. Consultation on an Options Paper was undertaken from 29 September to 10 November 2021. The latest timetable for the continuing work on the Cherwell Local Plan Review is as follows:

- Consultation on draft Plan (Regulation 18): November / December 2022
- Consultation on Proposed Submission Plan (Regulation 19): June/July 2023
- Submission for Examination (Regulation 22): November 2023

Banbury Canalside Supplementary Planning Document

The timetable for the Banbury Canalside SPD as set out in the Local Development Scheme follows that for the review of the Local Plan. It presently requires:

- preparation and engagement: May 2023 (onwards)
- formal consultation: February-March 2024
- adoption: May 2024

This timetable will need to be adjusted to follow that for the Local Plan.

Community Infrastructure Levy (CIL)

The timetable for CIL as set out in the Local Development Scheme is aligned to Local Plan preparation (unless national policy changes). It requires:

- evidence gathering and engagement: June-July 2022
- preparation of draft charging schedule: July-December 2022
- consultation on charging schedule January-February 2023
- potential (if approved) submission of charging schedule: May 2023

This timetable will need to be adjusted to accord with that for the Local Plan.

Cherwell District Council

Accounts, Audit and Risk Committee

28 September 2022

Treasury Management Report – April to August 2022

Report of the Assistant Director of Finance

This report is public

Purpose of report

To receive information on treasury management performance and compliance with treasury management policy for 2022-23 as required by the Treasury Management Code of Practice.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of this Treasury Management Report.

2.0 Introduction

- 2.1 In 2012 the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve treasury management semi-annual and annual reports. This quarterly report provides an additional update.
- 2.2 The Council's Treasury Management strategy for 2022-23 was approved by full Council on 28 February 2022. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the Council's treasury management strategy.
- 2.3 The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 28 February 2022.

3.0 Report Details

Summary position and strategy

3.1 The Council has, since it began borrowing in 2017, successfully managed interest rate costs by using a strategy of taking out borrowing over both the short and longer term. This strategy was endorsed by Link Asset Management Services (the Council's treasury advisors) when interest rates were stable and gave the Council the flexibility to search out the best rates on part of the portfolio but also retain a degree of cost certainty that the longer terms provide. Due to the rapidly changing economic circumstances and external factors such as the ongoing war in the Ukraine, interest rates are increasing significantly above the levels assumed in the Council's budget.

The Council had held a significant amount of its borrowing as short-term loans due to interest rates being very low. However, given the instability and uncertainty surrounding interest rates the Council has worked closely with its external treasury management advisers to understand forecasts of where the Bank of England base rate and hence short-term borrowing rates could lead to. Link's Bank of England Base Rate forecast for the next two years is shown in Table 1 below:

Table 1: Forecast Rates (published 02/09/2022)

Interest Rate Forecasts								
Bank Rate	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Link	2.25%	2.50%	2.75%	2.75%	2.75%	2.50%	2.50%	2.25%
Cap Econ	2.00%	2.50%	2.75%	3.00%	3.00%	3.00%	3.00%	3.00%
5Y PWLB RATE								
Link	2.80%	3.00%	3.10%	3.10%	3.00%	3.00%	2.90%	2.90%
Cap Econ	3.70%	3.40%	3.30%	3.30%	3.20%	3.20%	3.10%	3.10%
10Y PWLB RATE								
Link	3.00%	3.20%	3.30%	3.30%	3.20%	3.10%	3.10%	3.00%
Cap Econ	3.70%	3.30%	3.30%	3.20%	3.10%	3.10%	3.10%	3.10%
25Y PWLB RATE								
Link	3.40%	3.50%	3.50%	3.50%	3.50%	3.40%	3.40%	3.30%
Cap Econ	4.00%	3.50%	3.40%	3.40%	3.40%	3.30%	3.30%	3.30%

Officers, in consultation with Link, and the Lead Member for Finance, have adapted the Council's borrowing strategy to mitigate as much interest rate risk, as can reasonably be achieved in the current economic climate, by replacing short-term borrowing with borrowing over medium terms of between 5 and 10 years. In July the interest rate forecast for a 10 year PWLB loan, in the third quarter of 22/23 when we needed to refinance short term loans, was 3.5%. The current 10 year PWLB rates is 4.02%. Locking in PWLB loans ahead of need, at rates between 2.67% and 2.99%, could result in an annual savings of approximately £0.737m. The Council can begin to return to a proportion of short-term borrowing to refinance the PWLB loans maturing in 2025/26 and beyond.

The intention of this strategy is to:

- Take advantage of PWLB rates in July, which were still historically low, before the next anticipated interest rate increase
- Mitigate the refinancing risk associated with short-term borrowing and the maturing PWLB loans when rates could be even higher – ref table 1
- Provide cost certainty over the medium term

Taking out this fixed borrowing at higher than budgeted interest rates creates a budget pressure. The Council is mitigating this by investing the surplus cash it holds in line with its Treasury Investment Strategy. This allows the Council to take advantage of increasing interest rates to reduce the impact of borrowing in 2022/23.

- 3.2 As at the end of August 2022 the Council had borrowing of £240m and investments of £100m – a net borrowing position of £140m (31/3/22: £147.8m).
- 3.3 With interest rates increasing the Council has seen an increase in the average rate of interest payable from 1.12% in March to 1.66% at the end of August 2022. Similarly, the investment returns have increased from 0.28% in March to 1.39% at the end of August 2022.

Borrowing performance for the first 5 months of 2022/23

- 3.4 The Council requires external borrowing to fund its capital programme and had a total debt of £240m at the report date. With the change in borrowing strategy the ratio of medium-long term loans from the Public Works Loan Board (PWLB) to short term loans from other local authorities has moved from 50/50 at the beginning of the financial year to 69/31 on the 31st August 2022. The ratio is forecast to be 88/12 at the end of this financial year.
- 3.5 The Council’s chief objective when borrowing is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required.

Table 2 below shows the borrowing position during and at the end of the reporting period.

Table 2: Borrowing Position

	Borrowing Amount £m	Average Interest Rate	Interest Paid Budget for Apr-Aug 22 £m	Interest Paid Actual Apr-Aug 22 £m	Variance to Date £m
Apr-Aug 2022	215 (average)	1.33%	0.933	1.472	0.539
As at 31/8/22	240	1.66%	-	-	-

- 3.6 As a comparison, the table below shows average borrowing rates.

Table 3: Average PWLB Rates for the first quarter

HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.22 – 30.06.22

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	3.03%	3.18%	3.41%	3.70%	3.48%
Date	21/06/2022	21/06/2022	21/06/2022	21/06/2022	21/06/2022
Average	2.32%	2.58%	2.84%	3.08%	2.81%
Spread	1.08%	1.00%	1.05%	1.18%	1.23%

Source: Link

3.7 A full list of current borrowing on 31st August 2022 is shown below:

Table 4: Borrowing

Lender	Principal Borrowed £m	Maturity Date
North of Tyne Combined Authority	10	29/09/2022
Portsmouth City Council	5	28/10/2022
North of Tyne Combined Authority	5	14/11/2022
West Northamptonshire Council	2	15/12/2022
North Tyneside Council	5	16/12/2022
East Sussex County Council	5	13/01/2023
West Yorkshire Combined Authority	10	17/01/2023
North Northamptonshire Council	10	31/01/2023
Portsmouth City Council	5	13/02/2023
Derbyshire County Council	5	16/06/2023
Guildford Borough Council	5	13/07/2023
Craven District Council	2	15/11/2023
PWLB - ref 506477	21	19/10/2024
PWLB - ref 116158	6	25/09/2025
PWLB - ref 114322	6	19/09/2026
PWLB - ref 534182	10	26/07/2027
PWLB - ref 507455	10	31/05/2028
PWLB - ref 534193	5	26/07/2028
PWLB - ref 534184	10	26/07/2029
PWLB - ref 116160	6	25/09/2029
PWLB - ref 534186	10	26/07/2030
PWLB - ref 114324	6	19/09/2030
PWLB - ref 534188	16	26/07/2031
PWLB - ref 534190	15	26/07/2032
PWLB - ref 507456	5	31/05/2033
PWLB - ref 116162	5	25/09/2034
PWLB - ref 114326	5	19/09/2035
PWLB - ref 507457	5	31/05/2048
PWLB - ref 435439	25	10/11/2071
TOTAL	240	

Investment performance for the first 5 months of 2022/23

- 3.8 Funds available for investment are on a temporary basis, and the level of funds available is mainly dependent on the timing of precept payments, receipt of grants and funding of the Capital Programme. The PWLB loans taken ahead of need have been invested to reduce the cost of carry.
- 3.9 The Council has seen an increase in interest income in line with rises in the Bank of England base rate. The short-dated money market investments have performed better than budgeted for and the trend is set to continue throughout this Financial year. Table 5 below shows the investment position during and at the end of the reporting period.

Table 5: Investment Position

	Investment Amount £m	Average Interest Rate	Interest Earned Budget Apr – Aug 22 £m	Interest Earned Actual Apr – Aug 22 £m	Variance to Date £m
Apr-Aug 22	71.6 (average)	0.79%	(0.008)	(0.397)	(0.389)
As at 31/08/22	100	1.39%	-	-	-

- 3.10 As a comparison Table 6 below shows average money-market rates.

Table 6: Average Investment Rates for the first quarter

QUARTER ENDED 30/6/2022	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
High	1.25	1.19	1.19	1.06	0.89	0.64	0.35
High Date	16/06/2022	20/06/2022	24/06/2022	30/06/2022	30/06/2022	30/06/2022	30/06/2022
Low	0.75	0.69	0.69	0.57	0.39	0.23	0.14
Low Date	01/04/2022	28/04/2022	29/04/2022	01/04/2022	01/04/2022	01/04/2022	01/04/2022
Average	0.95	0.89	0.86	0.80	0.64	0.42	0.23
Spread	0.50	0.50	0.50	0.49	0.49	0.41	0.21

* SONIA (Sterling Overnight Index Average) is an interest rate benchmark published by the Bank of England.

Source: Link

- 3.11 In line with the new strategy to maximise interest income, while adhering to the Treasury Management Strategy's limits, investments have been made with banks with a credit rating of A- or higher. The portfolio of investments has moved away from primarily lending to other Local authorities and the UK Debt Management Office (part of HM Treasury), which is highly secure but earns a lower rate of interest compared to other instruments available on the market, to a more diverse array of counterparties. All counterparties have the required credit rating and are on Link's approved counterparty list.

To ensure that the Council is able to make the most of the increasing daily yields, three new money market accounts were opened with Northern Trust, Legal and General and CCLA. The Council is using the FIS Short-Term Cash Management Portal to effectively compare rates and invest in the most efficient manner.

A full list of current investments is shown below:

Table 7: Investments

Counterparty	Principal Deposited £m	Maturity Date / Notice period
<u>Fixed Term Deposits</u>		
Thurrock Borough Council	3	14/10/2022
Slough Borough Council	3	17/11/2022
Merthyr Tydfil County Borough Council	3	21/09/2022
Derbyshire County Council	3	03/04/2023
Thurrock Borough Council	2	13/10/2022
Debt Management Agency Deposit Facility	1	06/01/2023
Debt Management Agency Deposit Facility	1.2	11/10/2022
Standard Chartered Bank	3	04/11/2022
Development Bank of Singapore	3	09/11/2022
Bayerische Landesbank	3	09/11/2022
First Abu Dhabi Bank PJSC	3	09/11/2022
Landesbank Hessen-Thuringen	3	09/09/2022
SMBC Bank International Plc	3	09/11/2022
Debt Management Agency Deposit Facility	5	10/10/2022
Debt Management Agency Deposit Facility	5	19/10/2022
Qatar National Bank	3	09/11/2022
Lloyds Bank Corporate	3	09/11/2022
National bank of Canada	3	10/10/2022
National bank of Kuwait (International)	3	09/11/2022
Natwest Markets	3	16/11/2022
Yorkshire Building Society	3	13/02/2023
Debt Management Agency Deposit Facility	2.5	13/10/2022
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	3	17/11/2022
Lloyds Bank Plc (RFB)	2	16/12/2022
Toronto-Dominion Bank	3	20/02/2023
Credit Agricole	3	19/12/2022
Santander UK	3	21/11/2022
Debt Management Agency Deposit Facility	3.6	19/09/2022
Credit Suisse	3	19/12/2022
<u>Money Market Funds</u>		
Goldman Sachs Asset Management	4.795	Same day
Federated Investors UK	5	Same day
Northern Trust Asset Managements	2.6	Same day
CCLA Investment Management Limited	2.4	Same day
TOTAL	100.095	

Non-treasury investment activity.

- 3.12 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council. This is replicated in the government's Statutory Guidance on Local Government Investments, in which the definition of investments is further broadened to also include all such assets held partially for financial return.
- 3.13 As of the 31st August 2022, the Council holds £107.2m of investments in the form of shares (£35.6m) and loans (£71.6m) to subsidiary companies and other organisations, primarily Graven Hill and Crown House.
- 3.14 The loan elements of these non-treasury investments generate a higher rate of return than earned on treasury investments, but this reflects the additional risks to the Council of holding such investments.
- 3.15 For the 5 months to 31 August 2022 these loans have earned interest of £1.967m, a positive variance of (£0.022m) against budget income of £1.945m. The full year forecast is expected to show a positive variance of (£0.55m).

Table 8: Non-Treasury Investment Position

	Budget to date £m	Actual to date £m	Variance to date £m
Total non-treasury investment income	(1.945)	(1.967)	(0.022)

Overall performance for the Period

- 3.16 The overall performance for the 5 months to 31 August 2022 is as follows:

Table 9: Overall Treasury Position for the Period

	Budget to date £m	Actual to date £m	Variance to date £m
Borrowing costs	0.856	1.395	0.539
Finance lease and other interest	0.106	0.106	0
Treasury income	(0.08)	(0.397)	(0.389)
Non-treasury income	(1.945)	(1.967)	(0.022)
Total cost/(income)	(0.991)	(0.863)	0.128

Year End Forecast

- 3.17 The treasury budget was approved in February 2022 using interest rate forecasts provided by Link in their November 2021 update. Since then, the worsening cost-of-living crisis and the war in Ukraine has altered the economic outlook.
- 3.18 Interest payable for the full year prior to the change in strategy was forecast to be £0.148m over budget (negative variance). The new borrowing strategy will result in a forecast overspend of £1.292m for the financial year, an increase of £1.144m as a result of the change in strategy.

- 3.19 Interest receivable for the full year before the change in strategy was forecast to be (£0.070m) over budget (positive variance) due to the increasing interest rates we can expect to receive on our investments. With the change in strategy and the resulting additional investments, the year end forecast is now (£0.952m) (positive variance). This is an increase of (£0.882m) (positive variance) as a result of the change in strategy.
- 3.20 The full year forecast is expected to show an overall adverse variance against budget of £0.304m as shown in Table 10 below. This deficit is being managed as part of monthly budget monitoring.

Table 10: Overall Treasury Position Forecast to Year End

	Full Year Budget £m	Full Year Forecast £m	Full Year Variance £m
Borrowing costs	2.056	3.348	1.292
Finance lease and other interest	0.253	0.253	0
Treasury income	(0.019)	(0.952)	(0.933)
Non-treasury income	(4.666)	(4.721)	(0.055)
Total cost/(income)	(2.376)	(2.072)	0.304

4.0 Conclusion and Reasons for Recommendations

- 4.1 This report details the Treasury Performance for the Council from the period April to August 2022. It is submitted to the Accounts, Audit and Risk Committee for information as required by the Treasury Management Code of Practice.

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

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

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

7.0 Implications

Financial and Resource Implications

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

Comments checked by:

Joanne Kaye, Strategic Finance Business Partner (D151)
01295 221545, joanne.kaye@cherwell-dc.gov.uk

Legal Implications

- 7.2 As the report is submitted to the Accounts, Audit and Risk Committee for information as required by the Treasury Management Code of Practice, there are no legal implications arising directly from this report.

Comments checked by:

Helen Lolas, Team Leader and Solicitor - Legal Services
07801 400941, helen.lolas@cherwell-dc.gov.uk

Risk Implications

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

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus
01295 221556, celia.prado-teeling@cherwell-dc.gov.uk

Equalities Implications

- 7.4 There are no equalities implications arising directly from this report.

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus
01295 221556, celia.prado-teeling@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

N/A

Lead Councillor

Councillor Adam Nell, Portfolio Holder for Finance

Document Information

Appendix number and title

- None

Background papers

None

Report Author and contact details

Janet du Preez – Finance Business Partner – Treasury and Insurance
01295 221606, janet.du-preez@cherwell-dc.gov.uk

Cherwell District Council

Account Audit and Risk Committee

28 September 2022

Internal Audit Progress Report 2022/23

Report of the Director of Finance

This report is public

Purpose of report

The report presents the Internal Audit Progress report for 2022/23

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the progress with the 2022/23 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 May 2022 as part of the Internal Audit Strategy and Plan for 2022/23. Since then, one of our Senior Auditors has resigned and will be leaving us in October. Work has commenced on recruitment to fill this post. We are currently in the process of holding interviews for both a Counter Fraud apprentice and an Internal Audit apprentice.
- 3.2 We are continuing to support team members to complete professional training. One of our Senior Auditors has one exam left to complete of the Certified Internal Audit

Qualification. The Counter Fraud Intelligence Officer is continuing with his apprenticeship. Once in post the two new apprentices (Internal Audit and Counter Fraud) will commence their apprenticeships.

2021/22 Plan Progress

- 3.3 The 2022/23 Internal Audit Plan, which was agreed at the May 2022 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.
- 3.4 Since the last update to the May 2022 committee, the audits of Cyber Security 2022/23 and IT Infrastructure 2022/23 have been completed. The executive summaries are included within Appendix 3 to this report. Also included within Appendix 3 is the executive summary for the finalised audit of Key Financial Systems 2021/22, which was at draft report stage when we reported to the May 2022 committee but has since been finalised. There have been additions to the plan as we have been required to certify 3 additional grant claims.

Performance

- 3.5 The following performance indicators are monitored on a monthly basis.

Performance Measure	Target	% Performance Achieved for 22/23 audits (as at 07/09/2022)	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%	Previously reported year-end figures: 67% 2021/22 78% 2020/21
Elapsed time for completion of audit work from exit meeting to issue of draft report.	15 days	100%	Previously reported year-end figures: 100% 2021/22 100% 2020/21
Elapsed Time between receipt of management responses to draft report and issue of final	10 days	100%	Previously reported year-end figures: 56% 2021/22 88% 2020/21

report.			
---------	--	--	--

3.6 The other performance indicators are:

- % of 2022/23 planned audit activity completed by 30 April 2023 – reported at year end.
- % of management actions implemented – see paragraphs below.
- % of repeat findings/actions (relative to the number of actions raised within the year) – reported at year end.

Implementation of Agreed Management Actions

3.7 Outstanding management actions from 2018/19 and 2019/20 audits were taken over for monitoring from the previous internal audit provider. It should be noted that significant progress has been made by officers to address and implement these with now only 5 actions still open and in progress. Further detail is recorded in Appendix 2. These will continue to be reviewed and followed up with senior management throughout 2022/23.

3.8 We agreed a total of 68 actions for the work completed as part of the 2020/21 Internal Audit Plan, 55 of these actions have been implemented and 7 have been superseded. Of the remaining 6 actions, 4 are not yet due for implementation, and 2 have recently become due. We agreed a total of 82 actions for the work completed as part of the 2021/22 Internal Audit Plan, 52 of these actions have been implemented and 2 have been superseded. Of the remaining 28 actions, 14 are not yet due for implementation, and 14 have recently become due. For the work completed so far during 2022/23, a total of 19 actions have been agreed. Of these 19 actions, 15 have been implemented, 1 is not yet due, 3 are being implemented – these will be followed up throughout 2022 and 2023.

4.0 Conclusion and Reasons for Recommendations

4.1 This report provides a progress update on delivery of the internal audit plan for 2022/23 and provides an update on the implementation of management actions for the committee to consider. The current plan for 22/23 is on target for delivery by the end of April 2023.

5.0 Consultation

Not applicable.

6.0 Alternative Options and Reasons for Rejection

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

Option 1: No alternative options have been identified as this report is for information only.

7.0 Implications

Financial and Resource Implications

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

Comments checked by:

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

Legal Implications

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

Comments checked by:

Helen Lolas, Team Leader, Legal Services, Telephone: 07801 400 941 and email:
Helen.Lolas@Cherwell-DC.gov.uk

Risk Implications

7.3 There are no risk management issues arising directly from this report. Any risk arising in the future will be managed through the service operational risk register and escalate to the leadership risk register as and when necessary.

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus, 01295 221556
Celia.prado-teeling@cherwell-dc.gov.uk

Equalities and Inclusion Implications

7.4 There are no equalities and inclusion implications arising directly from this report.

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus, 01295 221556
Celia.prado-teeling@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 Adam Nell – Portfolio Holder for Financial Management.

Document Information

Appendix number and title

- Appendix 1 – Internal Audit Plan 2022/23 – Progress Update
- Appendix 2 – Outstanding Management Actions (as at 07/09/2022)
- 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: 2022/23 CDC Internal Audit Plan – Progress Report

Audit	Planned qtr start	Status as at 12/9/22	Conclusion	
Revenues and Benefits	Qtr 2	Exit Meeting		
Capital Programme	Qtr 3 / 4	Scoping		
Contract Management	Qtr 3 / 4	Not started		
Housing – Temporary Accommodation	Qtr 2	Exit Meeting		
Health and Safety	Qtr 1	Draft Report		
IT Disaster Recovery	Qtr 3 / 4	Not Started		
IT Cyber Security – Ransomware	Qtr 1	Final Report	Amber	
IT Infrastructure Management	Qtr 1	Final Report	Amber	
Grant Certification				
Disabled Facilities Grant	Qtr 1 – 4	Planned for Sept	-	
Addition to Plan:				
• COMF (Contain Outbreak Management Fund)		Complete	-	
• Protect & Vaccinate		Complete	-	
• Test & Trace Support Payment Scheme	Complete	-		

Appendix 2 – Open management actions as of 07 September 2022.

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	-	-	3	1
CDC Procurement & CM 2018/19	1	-	-	1	-
Totals	5	-	-	4	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	4	-	-	1
CDC	4	3	-	1	-

Finance System Imp Phase 3 20/21					
CDC Payroll 20/21	14	12	-	2	-
CDC Revs and Bens 2020/21	9	7	1	-	1
Totals	68	55	7	4	2

2021/22 - all actions

Report Title	Total agreed	Implemented	Superseded	Target date not reached or extended	Target date reached – overdue or being implemented
CDC Key Finance Systems 21/22	10	9	-	-	1
CDC Treasury Management 21/22	5	4	-	1	-
CDC Wellbeing and Sickness Management 21/22	5	1	-	4	-
CDC PCI 2021/22	9	6	1	-	2
CDC IT Remote Working 21/22	11	9	-	2	-
CDC GDPR 21/22	9	2	-	-	7
CDC Cyber Security Follow Up 21/22	9	7	1	1	-
CDC Payroll 21/22	10	5	-	5	-

CDC Waste Service 21/22	14	9	-	1	4
Totals	82	52	2	14	14

2022/23 – all actions as at 07/09/2022

Report Title	Total agreed	Implemented	Superseded	Target date not reached or extended	Target date reached – overdue or being implemented
CDC IT Infrastructure 22/23	5	2	-	1	2
CDC Cyber Security 22/23	14	13	-	-	1
Totals	19	15	-	1	3

This page is intentionally left blank

APPENDIX 3 – Executive Summaries finalised since last update to Accounts, Audit & Risk Committee May 2022

Finalised Audits 21/22:

Key Financial Systems 21/22

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

SYSTEMS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Sales to Cash	A	1	5
Procure to Pay	A	0	3
Record to Report	G	0	1
Budget to Control	G	0	0
		1	9

Opinion: Amber	
Total: 10	Priority 1 = 1 Priority 2 = 9
Current Status:	
Implemented	9
Due not yet actioned	0
Partially complete	1
Not yet Due	0

Following a successful project implementation, the Unit 4 finance system went live at the start of the 2021/22 financial year. This audit has focussed on review of key processes across the main key financial systems, considering how well these are working in practice post implementation.

Some weaknesses were noted in the Sales to Cash process including delays in clearing of the debtor suspense account, inconsistencies and delays in debt monitoring and recovery, delays in processing of write offs and inconsistencies in retention of documentation to support write offs. Delays were also noted in the processing of refunds. Management actions have been agreed to strengthen these processes which include the development of clear guidance for finance staff to promote consistency in approach and clarify expectations in relation to process, retention of documentation and timescales.

Duplicate customer and supplier accounts were identified. Unnecessary duplicate customer accounts can complicate debt monitoring and recovery and unnecessary duplicate supplier accounts can make tracking of supplier spend more complex and prone

to error. Whilst it is acknowledged that some of these duplicates are unavoidable (for example where a supplier is part of a franchise and has the same name, but different contact and payment details), this requires review to ensure that any unnecessary duplicate accounts are removed.

In relation to procure to pay, some instances were identified where purchase orders were being raised retrospectively. Management action has been agreed in relation to running routine reporting on this within finance, so that this can be followed up with the relevant service area. Some discrepancies were noted in the accuracy of recording of payment due dates on Unit 4. Whilst this did not have an impact on the timeliness of making payment, performance reporting on the timeliness of payments is based on the invoice due date recorded on the system. Therefore, inaccuracies in recording could impact on the accuracy of performance reporting in this area.

Issues with procurement processes at service level including delays in goods receipting and prompt action to pass on invoice documentation for payment were noted as part of a separate audit of Waste Collection Services. Management actions were agreed to address the weaknesses as part of the reporting on that audit. Audit testing completed as part of this audit has not identified these issues across other service areas tested.

No significant issues were identified in relation to Budget to Control processes. It is noted that budget monitoring processes continue to develop with Budget Managers now completing forecasting themselves on Unit 4, with less reliance on Finance Business Partners.

Performance reporting arrangements are also being developed which will allow Directors and Assistant Directors to add commentary to monthly financial reporting within the Unity performance reporting system.

Finalised audits 22/23:

Cyber Security 22/23

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

SYSTEMS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Education and Awareness	A	0	2
Malware Scanning	A	0	3
Privileged Access	A	0	4
Vulnerable Services	G	0	1
Vulnerability Scanning	R	1	0

Security Patching	G	0	0
Backups	A	0	2
Incident Response	R	1	0
		2	12

Opinion: Amber	
Total: 14	Priority 1 = 2 Priority 2 = 12
Current Status:	
Implemented	13
Due not yet actioned	1
Partially complete	0
Not yet Due	0

Cyber security remains a key area of business risk and there are no signs of this changing given the seemingly endless reports on data breaches, ransomware, phishing and other types of cyber-attack. All organisations that have digital systems are vulnerable to cyber-attacks and must operate strong security controls to minimise the risk of any attack being successful. It is important to note that fully implementing all of the actions in this report will not provide a complete guarantee that the organisation will be cyber-secure. The nature of the risk is such that there is never 100% security against a cyber-attack.

Education and Awareness:

Senior management and Members at the council are given updates on cyber security and have also been made aware of specific threats, such as phishing. Cyber is included on the IT risk register and also the corporate risk register, although we noted that the risk is not scored consistently between the two and hence senior management may not have an accurate assessment of the overall risk to the council. The risk registers were also found not to include all the relevant controls that are relied upon to manage the risk to ensure any changes in the control framework are reflected in the risk assessment.

Users are sent periodic general reminders on cyber security and made aware of specific threats when they arise. Cyber security is also covered in the mandatory training for all users.

Malware Scanning:

A number of different tools are used to scan for malicious software, including ransomware. IT Services subscribe to the National Cyber Security Centre's (NCSC) security and monitoring services for the public sector.

Privileged Access:

The accounts with privileged access should be reviewed and the owners of such accounts made aware of their responsibilities.

Vulnerable Services:

A review of some common network services, which are often exploited in ransomware attacks, confirmed that risk exposure is minimised.

Vulnerability Scanning:

A new vulnerability scanning tool is being implemented to replace a previous tool.

Security Patching:

No risk areas have been identified.

Backups:

Backups are taken to the cloud and protected against ransomware attacks.

Incident Response:

There is a draft Cyber Incident Response Plan, which details how IT Services will respond to a major cyber-attack. The plan needs to be further developed and formally tested to ensure it is effective.

IT Infrastructure 2022/23

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

SYSTEMS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
IT Roles and Responsibilities	G	0	0
Documentation	A	0	2
Infrastructure Monitoring	A	0	1
Access Controls	A	1	1
		1	4

Opinion: Amber	
Total: 5	Priority 1 = 1 Priority 2 = 4
Current Status:	
Implemented	2
Due not yet actioned	2
Partially complete	0
Not yet Due	1

The council's IT infrastructure, which runs all critical IT applications and services, has recently been migrated from a joint data centre with South Northamptonshire Council into the Microsoft Azure cloud.

IT Roles and Responsibilities:

The Technical Services team within IT Services are responsible for managing and monitoring all IT infrastructure in the Azure Cloud. There are four designated members of the team who look after the council's infrastructure and their responsibilities are documented within job descriptions. The size of the team and access to wider resources within IT Services means there is no key person dependency. There is a weekly meeting between the IT Technical Services Manager, Principal Technical Consultants and the four infrastructure leads to review and discuss any issues.

Documentation:

The documentation in place to support the Azure environment is limited and incomplete in many areas. This audit was undertaken prior to the full completion of the SNC (South Northamptonshire Council) separation project, for which the priority was to successfully complete all technical work to agreed deadlines. Documentation was scheduled to be completed later to ensure that it was accurate and up to date at the close of the project. Now that the migration work is complete, all documentation will be produced and finalised to ensure the Azure environment is fully understood and can be effectively supported and maintained.

Infrastructure Monitoring:

The procedures for monitoring applications and services within Azure need to be improved to reduce the risk of poor system performance and, in a worst case scenario, a system failure. Azure has a solution for monitoring applications and services but it has been setup by a third-party and is new to the IT infrastructure team and consequently their skills are limited as they are learning on the job. Formal training for members of the team may be helpful so that the solution can be further developed to alert on how applications and services are performing and to proactively identify any issues affecting them or the resources they depend on.

Access Controls:

User groups are setup to manage access within Azure and our testing confirmed that membership of these groups is limited to designated users within IT Services and that their access is subject to multi-factor authentication (MFA) in accordance with good practice. Third-party suppliers also have access to Azure for supporting systems and applications and their access is limited to the environments they support. We found that supplier access is not subject to MFA and their accounts are not disabled when they are not being used. This presents a risk that supplier accounts are compromised in a cyber-attack to get unauthorised access to Azure or that suppliers make changes to systems and applications without prior notice or approval, which could impact on system integrity and availa

This page is intentionally left blank

Cherwell District Council

Account Audit & Risk Committee

28 September 2022

Local Government and Social Care Ombudsman Annual Report 2021/22

Report of the Interim Monitoring Officer

This report is public

Purpose of report

To provide Council with the Local Government and Social Care Ombudsman's annual report on Cherwell District Council for the financial year 2021/22.

1.0 Recommendations

The meeting is recommended:

- 1.1 To receive the report and comment on the Local Government and Social Care Ombudsman's Annual Review of Cherwell District Council for 2021/22.

2.0 Introduction

- 2.1 Each year, the Local Government and Social Care Ombudsman (LGSCO) issues an Annual Review Report about each Council. This report attached at Appendix 1 details the complaints that were considered by the Ombudsman up to 31 March 2022.

3.0 Report Details

Local Government and Social Care Ombudsman (LGSCO)

- 3.1 The LGSCO is the final stage for individual complaints about councils, all adult social care providers (including care homes and home care agencies) and some other organisations providing local public services. They are a free service provided to people who have completed all stages of the Council's own complaints procedure and remain unhappy with the outcome. The LGSCO have guidelines regarding what they can investigate. Complainants must have complained to the Council within 12 months of becoming aware of the matter and been directly affected by the matter resulting in 'personal injustice'. Not all complaints will be investigated, for example if the Ombudsman does not feel they will find fault regarding the Council. Further information is available at: lgo.org.uk

Summary of Complaints and enquiries received by the LGSCO

- 3.2 The LGSCO received a total of 16 complaints and enquiries against Cherwell District Council for the period 1 April 2021 to 31 March 2022, this compares to 8 complaints and enquiries against Cherwell District Council for the period 1 April 2020 – 31 March 2021.
- 3.3 The number of complaints received by service area as categorised by the LGSCO are as follows for the period 1 April 2020 – 31 March 2021:

By LGSCO Category	Number of complaints received by the LGSCO
Planning & Development	8
Corporate & Other Services	1
Environment Services & Public Protection & Regulation	2
Benefits & Tax	2
Housing	3

Decisions made by the Ombudsman

- 3.4 The LGSCO returned decisions on 15 complaints against Cherwell District Council for the period 1 April 2021 – 31 March 2022. It should be noted that decisions may relate to complaints made in the previous year 2020-2021, investigations may not have been completed on all complaints received during the 2021-2022 period therefore a decision would not have yet been received. The number of complaints received, and decisions made in the one year period will always differ.
- 3.5 The 15 complaint decisions received against Cherwell District Council were categorised by the LGSCO as follows:

Referred to the Council for resolution	4
Closed after initial Enquiries	8
Investigated	1
Not Upheld	1
Incomplete/Invalid	1

- 3.6 This means that *Investigations* were carried out on 1 complaint, 2 fewer than in 2020-2021 period. The LGSCO report indicates that 0% of the 1 investigation were upheld, this compares to an average of 51% in similar authorities.
- 3.7 A summary of the complaints investigated are set out in Appendix 2. While every opportunity is taken by the Council to learn any corporate lessons from its handling of complaints there are no particular points to bring to Members' attention from the one complaint that were investigated by the LGSCO.

General comment by the Ombudsman

- 3.8 The LGSCO commented that all organisations will have been through a period of adaptation as the restrictions imposed by the pandemic lifted. While some pre-pandemic practices returned, many new ways of working are here to stay. The LGSCO highlighted the continued view that complaint functions have been under-resourced in recent years, a trend only exacerbated by the challenges of the

pandemic, and urged organisations to consider how it prioritises complaints, particularly in terms of capacity and visibility.

- 3.9 In the case of Cherwell District Council, however, the Council clearly publishes its complaints processes and signposts the rights of appeal to the next stages in each response, including the right of reference to the Ombudsman.

Comparison Information: Complaints and enquiries received by the LGSCO and decisions

- 3.10 As detailed in sections 3.2 and 3.3, the LGSCO received 16 complaints and enquiries against Cherwell District Council during 2021-2022. For information and comparison, the table below sets out the number of complaints and enquiries received by the LGSCO in the three preceding years.

LGSCO Category	2021/22	2020/21	2019/20	2018/19
Planning and Development	8	5	6	5
Corporate Complaints (i.e. non-social care)	1	1	3	0
Environment Services & Public Protection & Regulation	2	2	6	0
Benefits & Tax	2	0	2	5
Highways & Transport	0	0	1	2
Housing	3	0	1	0

(* LGSCO stopped accepting new complaints between March and June 2020)

- 3.11 For information, the following table below sets out comparative data on the number of decisions in the preceding Years.

LGSCO Decision	2021/22	2020/21*	2019/20*	2018/19
Complaints upheld	0	0	3	4
Complaints not upheld	1	3	2	3
Referred to the Council for resolution	4	1	2	3
Closed after initial Enquiries	9	6	11	4
Incomplete/Invalid	1	0	0	0
Total decisions	15	10	18	14

(* LGSCO stopped investigating existing cases between March and June 2020)

4.0 Conclusion and Reasons for Recommendations

- 4.1 This is an annual report and provides Members with information with regard to the number of complaints received by the Local Government and Social Care Ombudsman against the Council and the decisions regarding complaints.

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

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

None as this report is submitted for information and comment only.

7.0 Implications

Financial and Resource Implications

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

Comments checked by: Joanne Kaye, Strategic Finance Business Partner, joanne.kaye@cherwell-dc.gov.uk

Legal Implications

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

Comments checked by: Helen Lolas, Team Leader, Legal Services, 07801 400941, Helen.Lolas@cherwell-dc.gov.uk

Risk Implications

- 7.3 There are no risk implications arising directly from this report. If any risk arise, this will be managed through the service operational risk and escalated to the leadership risk register as and when necessary.

Comments checked by: Celia Prado-Teeling, Interim Assistant Director - Customer Focus, Tel: 01295 221556, Celia.Prado-Teeling@Cherwell-DC.gov.uk

Equalities and Inclusion Implications

- 7.4 There are no equalities implications directly arising from the contents of this report.

Comments checked by: Celia Prado-Teeling, Interim Assistant Director - Customer Focus, Tel: 01295 221556, Celia.prado-teeling@cherwell-dc.gov.uk Tel: 01295 221556

8.0 Decision Information

Key Decision

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

N/A

Lead Councillor

Councillor Adam Nell – Portfolio Holder for Finance

Document Information**Appendix number and title**

- Appendix 1 – Local Government and Social Care Ombudsman Annual Review Letter
- Appendix 2 - Summary of Cases Investigated by the Local Government and Social Care Ombudsman

Background papers

None

Report Author and contact details

Sharon Hickson, Democratic and Elections Officer,
Tel: 01295 221554, sharon.hickson@cherwell-dc.gov.uk

This page is intentionally left blank

20 July 2022

By email

Ms Rees
Chief Executive
Cherwell District Council

Dear Ms Rees

Annual Review letter 2022

I write to you with your annual summary of complaint statistics from the Local Government and Social Care Ombudsman for the year ending 31 March 2022. The information offers valuable insight about your organisation's approach to complaints. As such, I have sought to share this letter with the Leader of your Council and Chair of the appropriate Scrutiny Committee, to encourage effective ownership and oversight of complaint outcomes, which offer such valuable opportunities to learn and improve.

Complaint statistics

Our statistics focus on three key areas that help to assess your organisation's commitment to putting things right when they go wrong:

Complaints upheld - We uphold complaints when we find fault in an organisation's actions, including where the organisation accepted fault before we investigated. We include the total number of investigations completed to provide important context for the statistic.

Compliance with recommendations - We recommend ways for organisations to put things right when faults have caused injustice and monitor their compliance with our recommendations. Failure to comply is rare and a compliance rate below 100% is a cause for concern.

Satisfactory remedy provided by the authority - In these cases, the organisation upheld the complaint and we agreed with how it offered to put things right. We encourage the early resolution of complaints and credit organisations that accept fault and find appropriate ways to put things right.

Finally, we compare the three key annual statistics for your organisation with similar authorities to provide an average marker of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.

Your annual data, and a copy of this letter, will be uploaded to our interactive map, [Your council's performance](#), on 27 July 2022. This useful tool places all our data and information about councils in one place. You can find the detail of the decisions we have made about your Council, read the public reports we have issued, and view the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

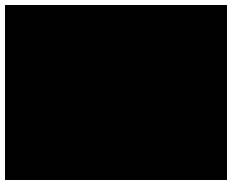
Supporting complaint and service improvement

I know your organisation, like ours, will have been through a period of adaptation as the restrictions imposed by the pandemic lifted. While some pre-pandemic practices returned, many new ways of working are here to stay. It is my continued view that complaint functions have been under-resourced in recent years, a trend only exacerbated by the challenges of the pandemic. Through the lens of this recent upheaval and adjustment, I urge you to consider how your organisation prioritises complaints, particularly in terms of capacity and visibility. Properly resourced complaint functions that are well-connected and valued by service areas, management teams and elected members are capable of providing valuable insight about an organisation's performance, detecting early warning signs of problems and offering opportunities to improve service delivery.

I want to support your organisation to harness the value of complaints and we continue to develop our programme of support. Significantly, we are working in partnership with the Housing Ombudsman Service to develop a joint complaint handling code. We are aiming to consolidate our approaches and therefore simplify guidance to enable organisations to provide an effective, quality response to each and every complaint. We will keep you informed as this work develops, and expect that, once launched, we will assess your compliance with the code during our investigations and report your performance via this letter.

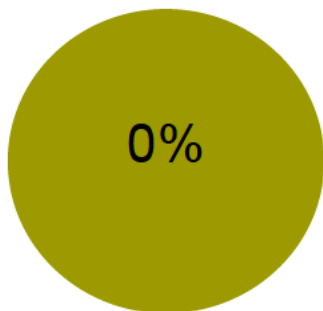
An already established tool we have for supporting improvements in local complaint handling is our successful training programme. We adapted our courses during the Covid-19 pandemic to an online format and successfully delivered 122 online workshops during the year, reaching more than 1,600 people. To find out more visit www.lgo.org.uk/training.

Yours sincerely,



Michael King
Local Government and Social Care Ombudsman
Chair, Commission for Local Administration in England

Complaints upheld



0% of complaints we investigated were upheld.

This compares to an average of 51% in similar organisations.

0 upheld decisions

Statistics are based on a total of 1 investigation for the period between 1 April 2021 to 31 March 2022

Compliance with Ombudsman recommendations

No recommendations were due for compliance in this period

Satisfactory remedy provided by the organisation

The Ombudsman did not uphold any detailed investigations during this period

This page is intentionally left blank

Appendix 2 - Summary of cases Investigated by LGSCO

	Summary of Complaint	LGSCO Decision Summary
1.	<p>CDC has failed to honour the selling price it offered me to buy the outstanding portion of my shared ownership home. The stage 1 complaint did not address the issue of if a contract had been made & breached. Whilst this is somewhat addressed in the stage 2 complaint, they suggest the contract was void as the sale didnt take place within 6 weeks of the offer being accepted. This was not my fault & was due to CDC not honouring their duties in a timely manner. There was no apology initially, delays to receiving the stage2 response & a lack of communication from those involved in the investigation.</p>	<p>Miss B complains that the Council incorrectly told her she could buy the rest of her 'shared ownership' home at a discount, then, after realising its mistake, withdrew the discount. This meant she could not afford to proceed with the purchase. She says the Council's error meant she spent money on conveyancing fees which she would not otherwise have spent. The Council has already made a suitable offer to remedy her injustice, so we have discontinued our investigation.</p>

This page is intentionally left blank

Account Audit & Risk Committee Work Programme 2022/2023

28 September 2022	<p>2021/22 External Audit Plan</p> <p>Performance, Finance and Risk Monitoring Report - Q1</p> <p>Treasury Management Q1 Update 2022/23</p> <p>Internal Audit Progress Update 2022/23</p> <p>Ombudsman Annual Report 2021/22</p> <p>Work Programme Update</p>
16 November 2022	<p>Treasury Management Q2 2022/23</p> <p>Performance, Finance and Risk Monitoring Report - Q2 2022/23</p> <p>Counter Fraud Update 2022/23</p> <p>Complaints & FOI Update</p> <p>Work Programme Update</p> <p>Chief Internal Auditor - Private Session</p> <p>External Auditor - Private Session</p>
25 January 2023	<p>Internal Audit Progress Update 2022/23</p> <p>Auditors Annual Report and VFM Commentary</p> <p>AGS 2021/22 Actions Update</p> <p>Draft Capital and Investment Strategy and Draft Treasury Management Strategy 2023/24</p> <p>Work Programme Update</p> <p>TRAINING - Treasury Management</p>
22 March 2023	<p>Counter Fraud Update 2022/23</p> <p>Annual Report of AARC</p> <p>Performance, Finance and Risk Monitoring Report - Q3 2022/23</p> <p>Treasury Management Q3 2021/22</p> <p>Housing Benefit Subsidy Audit</p> <p>Housing Benefit Risk Based Verification Policy</p> <p>Work Programme Update</p>

This page is intentionally left blank