

# Public Document Pack



**Cherwell**

DISTRICT COUNCIL  
NORTH OXFORDSHIRE

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

**Date: Wednesday 26 July 2023**

**Time: 6.30 pm**

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

## **Membership**

**Councillor Lynn Pratt  
(Chairman)**

Councillor Besmira Brasha  
Councillor Donna Ford  
Councillor Simon Lytton

**Councillor Simon Holland (Vice-Chairman)**

Councillor Andrew Crichton  
Councillor Harry Knight  
Councillor Ian Middleton

## **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 9 - 14)**

To confirm as a correct records the Minutes of the meetings of the Committee held on 22 March 2023 and 23 May 2023.

### **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. **Housing Benefit and Council Tax Reduction Risk Based Verification** (Pages 15 - 24)

Report of Assistant Director of Finance & S151 Officer

### **Purpose of report**

To provide members with details of the Risk Based Verification (RBV) policy and to seek approval for the reviewed RBV Policy for 2023/24.

### **Recommendations**

The meeting is recommended

- 1.1 To note the contents of this report
- 1.2 To approve the Risk Based Verification policy for the financial year 2023/24 (Appendix 1).

## 8. **Annual Governance Statement 2022-23** (Pages 25 - 46)

Report of the Assistant Director Law and Governance and Monitoring Officer.

### **Purpose of report**

The report sets out the Annual Governance Statement (AGS) for the Council for 2022-23 for approval. The AGS summarises the key governance issues for the Council and the actions required to address these. The AGS is required to be approved by those charged with governance, the Accounts Audit & Risk Committee, under the Accounts and Audit Regulations 2015.

### **Recommendations**

The meeting is recommended:

- 1.1 To approve the Annual Governance Statement 2022-23.
- 1.2 To authorise the Leader of the Council and the Chief Executive to sign the Annual Governance Statement on behalf of Cherwell District Council.

## 9. **Risk Monitoring Report Quarter 1, 2023** (Pages 47 - 80)

Report of Assistant Director – Customer Focus

### **Purpose of report**

To update the committee on how well the council is managing its Strategic Risks and to seek the committee's views on the Council's Risk Management Strategy.

### **Recommendations**

The meeting is recommended:

- 1.1 To note the Risk Monitoring Report for Quarter 1 2023.
- 1.2 To review the Council's current Risk Management Strategy 2022/23 (Appendix 2) and recommend any improvements for Executive consideration.

## **10. External Audit Update**

External Auditors, Ernst & Young to provide verbal update

## **11. Annual Report of the Chief Internal Auditor 2022/23 (Pages 81 - 100)**

Annual Report of the Chief Internal Auditor 2022/23

### **Purpose of report**

This is the annual report of the Chief Internal Auditor, summarising the outcome of the Internal Audit work in 2022/23, and providing an opinion on the Council's System of Internal Control.

### **Recommendations**

The meeting is recommended to:

- 1.1 Consider and endorse this annual report.

## **12. Internal Audit Strategy and Plan 2023/24 (Pages 101 - 114)**

Report of the Assistant Director of Finance & S151 Officer

### **Purpose of report**

The report presents the Internal Audit Strategy and Plan for 2023/24.

### **Recommendations**

The meeting is recommended to:

- 1.1 note and comment on the Internal Audit Strategy and Plan for 2023/24.

## **13. Internal Audit Charter (Pages 115 - 132)**

Report of Assistant Director of Finance

### **Purpose of report**

This report presents the Internal Audit Charter and Internal Audit Quality Assurance Programme for 2023/24.

### **Recommendations**

The meeting is recommended to:

- 1.1 Approve the Internal Audit Charter.
- 1.2 Note the Quality Assurance and Improvement Programme.

## **14. Update on Counter Fraud Annual Plan 2022/23 and presenting the Counter Fraud Annual Plan 2023/24 (Pages 133 - 144)**

Report of Assistant Director of Finance & S151 Officer

### **Purpose of report**

This report presents a summary of activity against the Annual Plan for the Counter-Fraud service at CDC for 2022/23, which was previously presented to the Accounts, Audit & Risk July 2022 committee. The report also presents the new Counter Fraud Plan for the year 2023/24.

The Plan supports the Council's Anti-Fraud and Corruption Strategy by ensuring that the Council has in place proportionate and effective resources and controls to prevent and detect fraud as well as investigate those matters that do arise.

### **Recommendations**

The meeting is recommended to:

- 1.1 Comment and note the summary of activity against the Annual Counter Fraud Plan for 2022/23.
- 1.2 Comment and note the Counter Fraud Plan for 2023/24.

## **15. Treasury Management Report - Annual Performance Report 2022/23 (March 2023) (Pages 145 - 156)**

Report of the 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.

**16. Treasury Management Report - Q1 2023/24 (June 2023) (Pages 157 - 170)**

Report of the Assistant Director of Finance

**Purpose of report**

To receive information on treasury management performance and compliance with treasury management policy for 2023-24 as required by the Treasury Management Code of Practice.

All treasury management activities undertaken to date during the financial year 2023-24 complied with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy, and all Prudential Indicators were met during the reporting period.

Over the course of the year, there is an overall forecast underspend of £0.376m.

**Recommendations**

The meeting is recommended:

1.1 To note the contents of this Treasury Management Report.

1.2 To note the strategy for future borrowing requirements at Appendix 1.

**17. 2022/23 Accounting Policies (Pages 171 - 198)**

Report of the Assistant Director of Finance (S151 Officer)

**Purpose of report**

To review and approve the Accounting Policies for inclusion in the 2022/23 Statement of Accounts. The Council is required to set accounting policies which set out the specific principles, bases, conventions, rules, and practices applied by an authority in preparing and presenting financial statements. The accounting policies describe how the Council has interpreted and applied the Code of Practice on Local Authority Accounting. There have been no material changes to the Accounting Policies.

In addition, to note that the 2022/23 Draft Statement of Accounts were not published by the 31 May 2023 deadline, due to delays in the audit of the 2021/22 Statement of Accounts.

**Recommendations**

The meeting is recommended:

- 1.1 To approve the accounting policies as approved by the Chief Finance Officer (Appendix 1).
- 1.2 Note that the 2022/23 Draft Statement of Accounts were not published by the 31 May 2023 deadline.

**18. Support to Subsidiaries (Pages 199 - 202)**

Report of the Assistant Director of Finance (S151 Officer)

**Purpose of report**

To inform the Committee of the overall level of support provided to the Council's subsidiaries and how this is considered as part of the external audit.

**Recommendations**

The meeting is recommended:

- 1.1 To note the report and raise any queries on the exempt appendix.

**19. Work Programme (Pages 203 - 204)**

To consider and review the Work Programme.

**20. Exclusion of Press and Public**

The following report(s) contain exempt information as defined in the following paragraph(s) of Part 1, Schedule 12A of Local Government Act 1972.

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

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

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

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

**21. Support to Subsidiaries - exempt appendix (Pages 205 - 210)**

**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](mailto:democracy@cherwell-dc.gov.uk) or 01295 221534 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](mailto:democracy@cherwell-dc.gov.uk), 01295 221534

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

Published on Tuesday 18 July 2023

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## **Cherwell District Council**

### **Accounts, Audit and Risk Committee**

Minutes of a meeting of the Accounts, Audit and Risk Committee held at Bodicote House, Bodicote, Banbury, Oxon OX15 4AA, on 22 March 2023 at 6.30 pm

#### Present:

Councillor Donna Ford (Chairman)  
Councillor Hugo Brown (Vice-Chairman)  
Councillor Patrick Clarke  
Councillor Ian Middleton  
Councillor Chris Pruden  
Councillor Sean Woodcock  
Councillor Barry Wood  
Harry Lawson (Independent Person – no voting rights)  
Sarah Thompson (independent Person - no voting rights)

#### Substitute Members:

Councillor Andrew Beere (In place of Councillor Andrew Crichton)

#### Apologies for absence:

Councillor Andrew Crichton

#### Also Present:

Councillor Adam Nell, Portfolio Holder for Finance

#### Also Present Virtually:

Alison Kennett, Audit Manager, Ernst & Young (External Audit)

#### Officers:

Michael Furness, Assistant Director Finance & S151 Officer  
Joanne Kaye, Head of Finance and Deputy S151 Officer  
Natasha Clark, Governance and Elections Manager

#### Officers Attending Virtually:

Sarah Cox, Chief Internal Auditor  
Declan Brolly, Senior Counter Fraud Officer (internal Audit)  
Celia Prado-Teeling, Performance & Insight Team Leader

58 **Declarations of Interest**

There were no declarations of interest.

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

There were no petitions or requests to address the meeting.

60 **Minutes**

The Minutes of the meeting of the Committee held on 25 January 2023 were agreed as a correct record and signed by the Chairman.

61 **Chairman's Announcements**

**Independent Persons**

On behalf of the Committee, the Chairman welcomed Sarah Thompson and Harry Lawson to their first Accounts, Audit and Risk Committee meeting. Independent persons did not have voting rights in the same way as councillors on the committee but brought their knowledge and expertise in an advisory manner and would be fully involved in our discussions.

The Independent Persons, Committee Members and officers introduced themselves.

**Councillor Hugo Brown**

The Chairman paid tribute her Vice-Chairman, Councillor Brown, who was attending his last Accounts, Audit and Risk Committee meeting as he was standing down at the May elections.

62 **Urgent Business**

There were no items of urgent business.

63 **January 2023 - Risk Monitoring Report**

The Assistant Director – Customer Focus which summarised the Council's Risk monitoring position of January 2023.

In introducing the report, the Performance and Insight Team Leader advised that there were two score changes in the leadership risk register during January. The residual score had been decreased from 12 (medium risk) to 6 (low risk) for both, L04 – Business continuity and L05 – Emergency planning.

In response to Members' comments regarding risk L04 – Business Continuity and L08 – Cyber Security, the Performance and Insight Team Leader

explained that business continuity was now based on agile working. Whilst there were links between the two risks, they were deliberately kept separate. Due to the high impact associated with cyber security, it was unlikely it could be mitigated to a green rating.

**Resolved**

- (1) That the monthly risk monitoring report for January 2023 be noted.

64

**Update on Counter Fraud Annual Plan 2022/23**

The Assistant Director of Finances submitted a report which presented a summary of activity against the Annual Plan for the Counter-Fraud service at CDC for 2022/23, which was previously presented to the Accounts, Audit & Risk July 2022 committee. The Plan supported the Council's Anti-Fraud and Corruption Strategy by ensuring that the Council had in place proportionate and effective resources and controls to prevent and detect fraud as well as investigate those matters that did arise.

In response to Members' questions regarding how the service could be more proactive, the Chief Internal Auditor explained that pro-active work undertaken to date had focussed on staff training and awareness sessions. The match data for the 2022/23 National Fraud Initiative (NFI) exercise had been received and a programme of work was now in place to review matches and undertake any necessary investigations.

In response to Members' questions regarding whistleblowing, the Assistant Director for Finance confirmed that the council did have a Whistleblowing Policy. The Monitoring Officer and/or Section 151 Officer may refer allegations relating to financial matters may be referred to the internal audit team to support the review, any such referrals would be recorded by the Monitoring Officer.

**Resolved**

- (1) That, having given due consideration, the summary of activity against the Counter Fraud Annual Plan 2022/23 be noted.

65

**Draft Annual Report of Accounts, Audit and Risk Committee**

The Assistant Director of Finance submitted a report which presented the draft Annual Report of the Accounts, Audit & Risk Committee.

The Chairman advised that the report would be updated prior to submission to the 17 May Annual Council meeting to reflect the appointment of two Independent Persons to the Committee.

**Resolved**

- (1) That, having given due consideration and subject to the report being updated to reflect that the Independent Persons had attended their first meeting, the Annual Report of the Accounts, Audit and Risk Committee be endorsed to be finalised for submission to Council.

66 **External Audit Progress 2021/22**

The Audit Manager (External Audit) gave a verbal update on external audit progress for 2021/2022. The majority of work was complete with no major areas outstanding.

In response to Members' questions regarding the feasibility of undertaking multiple years simultaneously, the Audit Manager (External Audit) explained that this was not possible. The Audit Manager (External Audit) confirmed that there would be no financial penalties for the late completion of the audit.

**Resolved**

- (1) That the external audit verbal update be noted.

67 **Work Programme**

The Head of Finance provided an update on the Committee work programme.

**Resolved**

- (1) That the work programme verbal update be noted.

The meeting ended at 7.20pm

Chairman:

Date:



## **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 23 May 2023 at 6.55 pm

Present:

Councillor Lynn Pratt (Chairman)  
Councillor Simon Holland (Vice-Chairman)  
Councillor Besmira Brasha  
Councillor Andrew Crichton  
Councillor Donna Ford  
Councillor Harry Knight  
Councillor Simon Lytton  
Councillor Ian Middleton

#### **1 Appointment of Chairman for the municipal year 2023/2024**

It was proposed by Councillor Ford and seconded by Councillor Holland that Councillor Pratt be elected Chairman of the Accounts, Audit and Risk Committee.

There were no further nominations.

#### **Resolved**

- (1) That Councillor Pratt be elected Chairman of the Accounts, Audit and Risk Committee for the municipal year 2023/2024.

#### **2 Appointment of Vice-Chairman for the municipal year 2023/2024**

It was proposed by Councillor Pratt and seconded by Councillor Ford that Councillor Holland be elected Vice-Chairman of the Accounts, Audit and Risk Committee.

There were no further nominations.

#### **Resolved**

- (1) That Councillor Holland be elected Vice-Chairman of the Accounts, Audit and Risk Committee for the municipal year 2023/2024.

The meeting ended at 6.56 pm

Chairman:

Date:

## **Cherwell District Council**

### **Accounts Audit and Risk Committee**

**26 July 2023**

### **Housing Benefit and Council Tax Reduction Risk Based Verification**

### **Report of Assistant Director of Finance & S151 Officer**

This report is public

### **Purpose of report**

To provide members with details of the Risk Based Verification (RBV) policy and to seek approval for the reviewed RBV Policy for 2023/24.

#### **1.0 Recommendations**

The meeting is recommended

- 1.1 To note the contents of this report
- 1.2 To approve the Risk Based Verification policy for the financial year 2023/24 (Appendix 1).

#### **2.0 Introduction**

- 2.1 Risk Based Verification is a method of applying different checks to new claims for Housing Benefit and Council Tax Reduction according to the risk associated with these claims. The aim is to reduce the burden on customers to provide excessive evidence and enable low risk claims to be assessed and put into payment more quickly. Efforts can then be concentrated on those claims with a high-risk category where there is an increased chance of fraud and error.

#### **3.0 Report Details**

##### **Risk Based Verification (RBV)**

- 3.1 The RBV module was introduced in November 2017. An online application form is available for Housing Benefit and Council Tax Reduction new claims. This offers our customers the option of applying for help online and to have immediate confirmation of the verification required to complete their claim. For customers who cannot apply online, the Customer Services Team continue to offer hard copy forms and/or appointments to assist with the online application. This has also helped to prepare our customers for Universal Credit Full Service which is an online process

## **Impact of RBV**

- 3.2 RBV requires officers to adopt a different approach to claim verification. It is also important that the overarching policy is applied as future subsidy audits will be based on this.
- 3.3 Each new claim received is allocated a risk score in real time of low, medium or high. The evidence requirements will differ based on the risk score assigned with high risk claims requiring greater evidence to support the claims. The evidence requirements for each risk group are contained in the Risk Based Verification Policy a copy of which is shown in Appendix 1 of this report.
- 3.4 DWP suggests that around 55% of cases will be low risk, 25% medium risk and 20% high risk.
- 3.5 Performance using RBV will be monitored monthly to ensure its effectiveness. Reporting and monitoring will include as a minimum, the % of cases in each risk category and the levels of fraud and error detected in each.

## **RBV Policy**

- 3.6 An updated RBV policy was approved by both members and the S151 Officer in March 2022. This policy must be reviewed each year but cannot be amended in-year as this would complicate the subsidy audit process.
- 3.7 The policy for Cherwell District Council has now been reviewed (copy attached at Appendix 1 of this report). There are only minor changes and these do not affect the substance of the policy.
- 3.8 The evidence list and risk categories can be seen at Appendix 2.

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

- 4.1 Risk Based Verification is a method of applying different levels of checks to new claims for Housing Benefit and Council Tax Reduction based on a risk profile. This approach is an effective way of improving the time taken to assess claims for our customers, allows resources to be targeted and at the same time helps to prevent fraud and error.
- 4.2 Members are asked to note the contents of this report and to endorse the reviewed RBV policy

## **5.0 Consultation**

- 5.1 When the original policy was proposed in 2017 consultation was carried out with officers and the policy was approved by the S151 Officer (Director of Finance) and by members. Although no formal consultation took place with residents or stakeholders the change was communicated, and the policy will be placed on the website.

## 6.0 Alternative Options and Reasons for Rejection

- 6.1 Option 1: As RBV is a voluntary scheme the alternative would be to not adopt the scheme and the verification process would revert to the original DWP requirement for full evidence to be provided on all new claims. This has been rejected as it is anticipated that the number of new claims received continue to increase during the cost of living crisis and it will become increasingly difficult to meet the current level of service if the verification requirements become more onerous. Without an RBV approach, all new customers would have to provide the maximum level of documentary evidence. This would place a greater burden on both claimants and the team assessing claims and result in slower claim processing times.

## 7.0 Implications

### Financial and Resource Implications

- 7.1 There are no new financial implications related to this report. Any costs will be picked up within existing budgets. Applying a risk based score allows the Council to focus its resources on those highest risk applications

Comments checked by  
Michael Furness, Assistant Director of Finance  
[Michael.furness@cherwell-dc.gov.uk](mailto:Michael.furness@cherwell-dc.gov.uk)

### Legal Implications

- 7.2 Applying the RBV policy meets the Council's legal obligations to verify information for Housing Benefit claims, as required by Regulation 86 of the Housing Benefit Regulations.

Comments checked by  
Shahin Ismail, Interim Head of Legal Services  
[Shahin.ismail@cherwell-dc.gov.uk](mailto:Shahin.ismail@cherwell-dc.gov.uk)

### Risk Implications

- 7.3 There are no risk management issues arising directly from this report. Any arising risk 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, Performance & Insight Team Leader, 01295 221556  
[Celia.Prado-Teeling@Cherwell-dc.gov.uk](mailto:Celia.Prado-Teeling@Cherwell-dc.gov.uk)

### Equalities and Inclusion Implications

- 7.4 Risk Based Verification applies to all new claims for Housing Benefit and Council Tax Reduction. The mathematical model used to determine the risk score does apply one of the protected characteristics i.e. age
- 7.5 Other than age, no protected characteristics are used. The use of age in the model

is supported by specific clauses in the Equalities Act 2010 and by Technical Page 53 Guidance on the Act written by the Equality and Human Rights Commission. Specifically, that age can be used in “the prevention of fraud or other forms of abuse or inappropriate use of services provided by the service provider.

- 7.6 All the council’s proposals, changes and decisions are done taken careful consideration of our commitments to equalities and inclusion as set in our equalities framework, keeping those principles at the core of all we do.

Comments checked by:

Celia Prado-Teeling, Performance & Insight Team Leader, 01295 221556

[Celia.Prado-Teeling@Cherwell-dc.gov.uk](mailto:Celia.Prado-Teeling@Cherwell-dc.gov.uk)

## 8.0 Decision Information

### Key Decision

**Financial Threshold Met:** N/A

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

**Wards Affected** N/A

### Links to Corporate Plan and Policy Framework

Work to prevent homelessness  
Response to the Cost of Living Crisis

### Lead Councillor

Councillor Adam Nell, Portfolio Holder for Finance

### Document Information

#### Appendix number and title

- Appendix 1 – Risk Based Verification Policy reviewed 2023/4
- Appendix 2 – Evidence List

#### Background papers

None

#### Report Author and contact details

Jacey Scott – Head of Revenues and Benefits [jacey.scott@cherwell-dc.gov.uk](mailto:jacey.scott@cherwell-dc.gov.uk)  
01295 221548

## Appendix 1



# Cherwell

DISTRICT COUNCIL  
NORTH OXFORDSHIRE

## Cherwell District Council Risk Based Verification Policy

### Background

It is estimated that the overall spend on Housing Benefit in 2020-2021 was £17.290 billion (statistics taken from GOV.UK Publications). Ensuring that the right help is awarded is crucial both to the customers and the taxpayers. Combating fraud and reducing error is a key component of this.

The Verification Framework Policy was introduced by the Department for Work and Pensions (DWP) as guidance, in line with the Social Security Administration Act 1992, for administering Housing and Council Tax Benefit claims. This policy recommended that local authorities should obtain substantial evidence before determining claims for benefit. Although voluntary it was adopted by most Councils (including Cherwell District Council) to ensure that the correct amount of benefit was paid, that subsidy was maximised, and that fraud was minimised.

In 2011, the DWP allowed a limited number of Councils to pilot a scheme to try to reduce the cost of the verification process and, at the same time, reduce fraud and error based on risk-based verification principles. It is an approach used by Job Centre Plus and underpins Universal Credit.

The pilots were successful and the DWP confirmed that Councils can now adopt this approach for Housing Benefit and Council Tax Reduction claims. This is summarised in circular S11/2011.

Cherwell District Council currently administers 6,585 claims for Housing Benefit and Council Tax Reduction. This Risk Based Verification Policy has been developed to underpin a regime of preventing fraud and error from entering the system whilst continuing with live caseload intervention. The policy considers that Cherwell District Council must adhere to Housing Benefit legislation and local Council Tax Reduction regulations. The regulations do not specify what information and evidence the Council should obtain from a customer. However, it does require an authority to have information which allows an accurate assessment of a claimant's entitlement, both when a claim is made and renewed because of a change in circumstances. The Council's legal obligation to verify information for Housing Benefit claims is defined in Housing Benefit Regulation 86 which states:

*“a person who makes a claim, or a person to whom housing benefit has been awarded, shall furnish such certificates, documents, information and evidence in*

*connection with the claim or the award, or any question arising out of the claim or the award, as may reasonably be required by the relevant authority in order to determine that person's entitlement to, or continuing entitlement to housing benefit and shall do so within one month of being required to do so or such longer period as the relevant authority may consider reasonable."*

Risk Based Verification has been adopted for new Housing Benefit and Council Tax Reduction claims at CDC since 1 November 2017.

### **What is Risk Based Verification (RBV)**

RBV is a method of determining different levels of checks to new claims for Housing Benefit and Council Tax Reduction dependent upon a complex risk profile given to each customer. The profile is determined by specific software using statistical information and experience about what type of claim represents what type of risk. The higher the risk, the greater the checks used to establish that the claim is genuine.

This approach allows the targeting of resources and is very effective in identifying higher levels of fraud and error, reducing the overall cost of verifying claims and improving processing times for some low risk claims. In adopting RBV there is still an obligation to get all the facts and make an accurate assessment but there is not the need to gather documentary evidence in all cases. RBV does not exclude anyone from applying for Housing Benefit or Council Tax Reduction.

### **Risk Based Verification at Cherwell District Council**

Pursuant to DWP circular S11/2011 Cherwell District Council (hereafter referred to as 'the Council') will apply RBV to new claims for HB and CTRS. The Council will use an on-line application form offered by Capita and a solution offered by Xantura to carry out the risk scoring. Customers may also apply on a hard copy form. The software is integrated into the Academy Revenues and Benefits system to produce risk scores in real time.

Each new claim will be allocated a risk score – Low, Medium or High. The evidence Requirements for successful applications will differ based on the risk score assigned. The latest evidence requirements are contained in appendix B of this policy which are reviewed annually on 1 April in line with updates from Department for Works and Pensions. Circular S11/2011 confirms that local authorities have discretion to determine their own risk groups. Circular G1/2016 gives updated advice on the evidence standards required. It should be noted that original documentation of a National Insurance Number and confirmation of identity must be provided in all cases regardless of the risk score, in order to comply with legislation. This verification is only required on the first claim and will not be requested again in support of any future claims.

### **Low Risk**

The claimant's identity will be verified in accordance with sections 1(1a) and 1(1b) of the Social Security Administration Act 1992. The evidence required will be original documents to prove identity and National Insurance Number, photocopies or original evidence of self-employed earnings and student income and status. A LAREV1



(valuation form) is also required for any other properties. A check on Searchlight or Verification of Earnings and Pensions (VEP) can be obtained to provide a breakdown of income declared on the claim form.

### **Medium Risk**

Cases in this group must have the same checks as low risk plus copies (emails will be accepted as copies), scans, or original documentation to prove all declared income and capital. Verification of Earnings and Pensions (VEP) can also be used to obtain evidence of earnings. Please note: all evidence for identity must be original documentation.

### **High Risk**

All high-risk cases must have the same checks as low and medium groups, but the documentation must be original or obtained from VEP and/or Searchlight. In addition, further checks may be carried out which could include a telephone call, home visit or a credit check via the National Anti-Fraud Network (NAFN).

### **Monitoring RBV**

DWP suggest that around 55% of cases will be low risk, 25% medium risk and 20% high risk

Performance using RBV will be monitored monthly to ensure its effectiveness. Reporting and monitoring will include as a minimum, the % of cases in each risk category and the levels of fraud and error detected in each.

Once a risk group has been allocated, individual claims cannot be downgraded by an officer to a lower risk group. They can, however, be upgraded to a higher risk group with the approval from a senior officer or the Benefits and Performance Manager if the officer has good reason to think this is appropriate. All cases which are upgraded will be recorded along with the reason for doing so.

All risk scores are recorded by the RBV software and will show on the customer's account within the Academy system or within the notes if the score is taken from estore

This will enable the Auditors to check the level of verification needed to support the assessment of each claim type for the purposes of subsidy so helping to protect the Council from financial risk. Failure to apply the verification standards as stipulated in the RBV policy may have an impact on the subsidy claimed and could result in a loss of revenue for the council.

Xantura records all risk score requests and an audit log of requests is generated which the Council will use to ensure that the new claims process is being followed and reduced verification applied. There will be a blind sample of cases by Xantura where the risk group will be adjusted, and level of verification applied will be checked.

Xantura will provide monthly reports detailing the percentage of cases falling into each risk group, the fraud and error identified in each risk group and the level of fraud and error detected in the sample of blind cases.

### **Review of the policy**

The RBV policy will be reviewed annually and any changes will be referred to the Accounts, Audit and Risk Committee for approval. In accordance with DWP guidance changes will not be made in-year as this would complicate the audit process. If the policy is not reviewed then the previous policy will remain in place until a review is undertaken.

### **Training and awareness**

Training will be provided to all staff within the Benefits and Council Tax Reduction team and to the Customer Services Team on the use of RBV, including refresher training and training for new entrants. This will ensure that the processes and procedures are agreed and understood. Discussions will take place with all internal and external stakeholders.

### **Business Continuity**

The Capita RBV solution is web- based and the ability to obtain a risk group in real time is dependent on an internet connection. In the event of the officers being unable to generate a risk score for any claim, the claim will be treated as medium risk and the appropriate level of verification will be applied.

### **Audit requirements**

External audit has been consulted on the implementation of RBV and on this policy. Auditors will carry out their duties against the terms of the RBV policy and, provided cases have been assessed correctly against the requirements of the policy, this shall meet audit requirements.

### **Policy approval**

**This Policy has been produced in line with Department for Work and Pensions guidance on the use of Risk-Based Verification as detailed in HB/CTS circular S11/2011 and G1/2016.**

**This policy is approved by:**

**Accounts, Audit and Risk Committee**

Date:

**(Section 151 Officer)**

Name:

Signed:

## Appendix 2

Evidence Type	Subcategory	Low Risk	Medium Risk	High Risk
	Claimant's ID/NINO	If Passported/qualifying benefits: Searchlight  If Standard claims: 2 items of ID and 1 NINO originals	If Passported/qualifying benefits: Searchlight  If Standard claims: 2 items of ID and 1 NINO originals	If Passported/qualifying benefits: Searchlight  If Standard claims: 2 items of ID and 1 NINO originals
Residency & Rent	Private Tenants	<i>Required to raise risk score to Medium</i>	Originals or Photocopies;	Originals Required
	Social Landlords/Non-HRA	<i>Required to raise risk score to Medium</i>	Originals, photocopies or electronic files from landlord.	Originals Required or electronic files from landlord
	Registered	<i>Required to raise risk score to Medium</i>	Originals or Photocopies	Originals Required
Household	Partner's ID/ NINO	Originals or Searchlight where identity has been verified for a qualifying benefit	Originals or Photocopies Searchlight check	Originals Required or Searchlight check
	Dependents (responsibility for not ID of)	Nothing required	Originals or Photocopies or Searchlight check	Originals Required or searchlight check
	Non-Dependent Working	Nothing required/ Searchlight	Originals or Photocopies of wage slips, P45, P60, Searchlight or VEP	Originals Required of wage slips, P45 or P60, Searchlight or VEP
	Non-Dependent (PB) Non-Dependent no income	Nothing required/ Searchlight	Searchlight check P45 or statement	Searchlight Check P45 or statement
	Non-Dependent Student	Nothing required	Originals or Photocopies	Originals Required
	Non-Dependent Not Working			Originals Required
	2AR: Non-Dependents Not Working	Nothing required	Originals or Photocopies	Originals Required
Income	State Benefits or Universal Credit	Searchlight	Searchlight Check	Searchlight or original or photocopies of documents

## Appendix 2

	>	Earnings, SSP, SMP & SPP	>	Nothing required/ Searchlight	>	Originals, Photocopies of wage slips, P45, P60 or VEP	>	Originals Required of wage slips, P45, P60 or VEP
	>	Self Employed	>	Self-employed proforma original or non- original audited accounts, profit, and loss statements	>	Self-employed proforma or original or non-original audited accounts, profit, and loss statements	>	Self-employed proforma or original audited accounts required – Receipts and Invoices
<b>Child Care Costs</b>				Nothing required	>	Originals or Photocopies	>	Originals Required
<b>Students</b>	>	(Income + Status Required)	>	Originals or photocopies	>	Originals or Photocopies	>	Originals Required
<b>Capital</b>	>	Working Age			>	Originals or Photocopies	>	Originals Required; must include last 2 months' transactions
	>	Working Age & > £6,000			>	Originals or Photocopies	>	Originals Required; must include last 2 months' transactions
	>	Elderly			>	Originals or Photocopies	>	Originals Required; must include last 2 months' transactions
	>	Elderly & > £10,000			>	Originals or Photocopies	>	Originals Required; must include last 2 months' transactions
	>	Property	>	LAREV1	>	Originals, Photocopies or LAREV1	>	Originals Required and LAREV1

## **Cherwell District Council**

### **Accounts Audit and Risk Committee**

**26 July 2023**

#### **Annual Governance Statement 2022-23**

#### **Report of the Assistant Director Law and Governance and Monitoring Officer.**

This report is public

#### **Purpose of report**

The report sets out the Annual Governance Statement (AGS) for the Council for 2022-23 for approval. The AGS summarises the key governance issues for the Council and the actions required to address these. The AGS is required to be approved by those charged with governance, the Accounts Audit & Risk Committee, under the Accounts and Audit Regulations 2015.

#### **1.0 Recommendations**

The meeting is recommended:

- 1.1 To approve the Annual Governance Statement 2022-23.
- 1.2 To authorise the Leader of the Council and the Chief Executive to sign the Annual Governance Statement on behalf of Cherwell District Council.

#### **2.0 Introduction**

- 2.1 This report outlines the purpose of the AGS and explains how the necessary assurance to support the AGS has been obtained. This should enable the Committee to make an informed judgement as to the effectiveness of the process that the Council has followed in conducting the annual review of the system of internal control within the Council.

### **3.0 Report Details**

- 3.1 The Council's AGS for 2022-23 is attached at Appendix 1. Essentially, it outlines for the Council:
  - 3.1.1 The scope of governance responsibilities
  - 3.1.2 The purpose of the governance framework
  - 3.1.3 A description of the governance framework against the CIPFA/SOLACE Framework for "Delivering Good Governance in Local Authorities"
  - 3.1.4 Arrangements for reviewing the effectiveness of the governance framework
  - 3.1.5 Governance issues that need to be addressed
- 3.2 The preparation of the Statement has built on previously established arrangements, which involves the collating of information from a number of sources, both internal and external. The information is analysed, and a draft Statement is produced, discussed with key officers, and any amendments identified are then made.
- 3.3 To support the Annual Governance review, assistant directors are required to complete an assurance statement in relation to systems and processes operational within their areas during the year. These are signed off by CLT. The Statements demonstrate that Directorates have evaluated and assessed their internal control environment.
- 3.4 The Council receives a substantial amount of assurance from the work that is undertaken by its Internal Audit Service and its External Auditors. The role of Internal Audit is to provide independent assurance that the Council's risk management, governance and internal control processes are operating effectively. The role of External Audit is to review the financial statements, obtain evidence that they are materially correct and provide an opinion as to whether these represent a true and fair view of the financial position of the Council. In addition, External Audit provide a value for money opinion assessing whether proper arrangements are in place for securing financial resilience and challenging how the Council secures economy, efficiency and effectiveness.
- 3.5 There have been well documented national delays in publishing the annual audited accounts due to historic issues, in particular relating to 2021/22. However, Cherwell was able to have its 2020/21 accounts agreed and the audit of 2021/22 is continuing (an update will be provided elsewhere on the agenda) and the 2022/23 draft accounts are being prepared, with the accounting policies for 2022/23 elsewhere on the agenda.

3.6 One of the assurance statements the Council receives is the annual opinion of the Chief Internal Auditor in respect of the control framework. The opinion of the Chief Internal Auditor in respect of audit work completed in 2022/23 gave **satisfactory** assurance on the internal control environment based on the areas audited as reported elsewhere on the agenda.

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

4.1 Local authorities are required to prepare an AGS to be transparent about their compliance with good governance principles. This includes reporting on how they have monitored and evaluated the effectiveness of their governance arrangements in the previous year and setting out any planned changes in the coming period.

## **5.0 Consultation**

As outlined in the report including Assistant Directors, Corporate Oversight and Governance Group, and Corporate Leadership Team.

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

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

Option 1: Not to agree the Annual Governance Statement. This is not recommended as the Council is required to produce an Annual Governance Statement as set out in the Accents and Audit Regulations 2015.

## **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](mailto:michael.furness@cherwell-dc.gov.uk)

### **Legal Implications**

7.2 Completion and approval of the AGS is required by Regulation 6(1) (b) of the Accounts and Audit England Regulations 2015. Within the Regulations, and in accordance with defined 'proper practice', there is a mandatory requirement to publish an AGS. The AGS, attached, if approved and signed will form part of the

Statement of Accounts. Failure to comply would result in the Council not meeting its statutory requirements.

Comments checked by:

Shahin Ismail, Legal Services Manager, 01295 221651

[shahin.ismail@cherwell-dc.gov.uk](mailto:shahin.ismail@cherwell-dc.gov.uk)

### **Risk Implications - Mandatory paragraph**

- 7.3 There are no risk implications arising directly from this report. However, as per paragraph 6 in section 6.1 the approval of this report will avoid the risk of not being compliant with Accents and Audit Regulations 2015.

Comments checked by:

Celia Prado-Teeling, Performance and Insight Team Leader 01295 221556

[celia.prado-teeling@cherwell-dc.gov.uk](mailto:celia.prado-teeling@cherwell-dc.gov.uk)

### **Equalities and Inclusion Implications**

- 7.4 There are no equalities and inclusion implications arising as a direct consequence of this report.

Comments checked by:

Celia Prado-Teeling, Performance and Insight Team Leader 01295 221556

[celia.prado-teeling@cherwell-dc.gov.uk](mailto:celia.prado-teeling@cherwell-dc.gov.uk)

### **Sustainability Implications**

- 7.5 There are no sustainability implications arising from this report

Comments checked by:

Jo Miskin, Climate Action Manager, 01295 221748, [jo.miskin@cherwell-dc.gov.uk](mailto:jo.miskin@cherwell-dc.gov.uk)

## **8.0 Decision Information**

### **Key Decision**

**Financial Threshold Met:** N/A

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

**Wards Affected** N/A

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

N/A



**Lead Councillor**

Councillor Adam Nell, Portfolio Holder - Finance

**Document Information****Appendix number and title**

Appendix 1 – Annual Governance Statement 2022/2023

**Background papers**

None

**Report Author and contact details**

Shiraz Sheikh - Assistant Director Law and Governance and Monitoring Officer.

[Shiraz.sheikh@cherwell-dc.gov.uk](mailto:Shiraz.sheikh@cherwell-dc.gov.uk)

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# Annual Governance Statement 2022/2023

DRAFT

Shiraz Sheikh  
Monitoring Officer  
July 2023

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DRAFT

## SCOPE OF RESPONSIBILITY

Cherwell District Council is responsible for ensuring that:

- its business is **conducted** in accordance with the **law and proper** standards
- public money is safeguarded and properly **accounted** for, and
- **resources** are used **economically, efficiently and effectively**.

The Council also has a **duty** to:

- make arrangements to **secure continuous improvement** in the way in which its functions are exercised
- put in place **proper arrangements for the governance of its affairs**, and
- implement and maintain effective processes of **internal control**, including appropriate arrangements to manage risk.

## THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, cultures and values which underpin how the Council is controlled and managed internally, and how it engages with taxpayers, service users and the wider community. The governance framework enables the Council to monitor delivery of its strategic objectives and assess whether those objectives are securing service improvements and value for money. Systems of internal control and risk management are a significant part of the governance framework and are designed to manage risk down to a reasonable level. Some risks can never be eliminated entirely, however, and these processes provide only reasonable and not absolute assurance of effectiveness.

## THE GOVERNANCE FRAMEWORK AT CHERWELL DISTRICT COUNCIL

The Council operates an executive based system of governance with a Leader. The Executive takes strategic key decisions with officers responsible for day to day decisions. The Executive is made up of a Leader and 9 other councillors. The leader then appoints individual councillors (portfolio holders) to other positions in the Executive. Their remit includes obtaining assurance that Annual Delivery Plan priorities, and the Budget and Policy Framework approved by Council each year, are delivered in their relevant areas.

The Council has a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent, and accountable to local people.

We have various layers of management within the organisation and our management teams each play an important role in the governance framework.

Our corporate leadership team (CLT), comprises the Head of Paid Service, Corporate Directors, Monitoring Officer and S151 Officer. CLT meets on a weekly basis. Our extended leadership team (ELT) comprises the CLT and Assistant Directors. ELT meets on a monthly basis and are programmed

## APPENDIX 1

as a series of sessions to focus on strategic issues, projects and programmes and health of the organisation.

The council has two wholly owned companies – Graven Hill and Crown House.

Graven Hill Village Developments was established in 2014. It is an ambitious project aimed at disrupting the market and creating innovative solutions to housing supply issues. The aim of Graven Hill is a large scale self-build community within a development of up to 1,900 new homes. It will also provide commercial space, a nursery, a primary school and health hub, continuing to create new jobs in the locality.

The Crown House apartments project was initiated to drive economic and social regeneration. The initiative has improved community safety, and provided housing in Banbury town centre, comprising 50 apartments and one commercial unit.

The Council commissioned an independent review of the governance arrangements for Graven Hill, and recommendations arising from it were reported to the Shareholder Committee in July. .

### ANNUAL DELIVERY PLAN PRIORTIES

Before the start of each financial year the council agrees its priorities for the next 12 months through its Outcomes Framework. This sets out the key deliverables required for the year ahead to support the council in achieving its overarching priorities, set out in its Business Plan and are as follows: :

Housing that meets your needs

Supporting environment sustainability

An enterprising economy with strong and vibrant local centres

Healthy, resilient and engaged communities.

The framework also sets out the council's golden thread – how its annual priorities are cascaded down through the organisation to individual work plans . Progress towards these priorities is regularly reviewed by the Executive and Overview and Scrutiny

### LOCAL GOVERNMENT ASSOCIATION (LGA) – CORPORATE PEER CHALLENGE

This programme organised by the LGA, also known as “Peer Review” involves peer teams of councillors and officers from other councils spending time within a council to identify and address issues and challenge progress across various themes. The core review for all Councils includes local priorities and outcomes, organisational and place leadership, governance and culture, financial planning and management and capacity for improvement. In addition two additional themes are included, namely, Growth & Infrastructure and Decoupling of the Strategic Partnership with Oxfordshire County Council. In November 2022, the Council invited the LGA to undertake such a Peer Review of how effectively we work as a Council. The reviewers spoke to 145 people (members of staff, partners and councillors) about leadership and culture, place shaping, decision making and

much more. A [formal report](#) was received by the Council and was reported to the [Council meeting](#) together with the Council's action plan.

The overriding messages and observations from the Corporate Peer Challenge were:

- The council has ambitious plans and has a proven track record of delivery.
- There is a recognised need for a compelling vision for the council now that it is a standalone authority.
- The council needs to face the future financial challenges head-on.
- Transformation is fundamental to achieving the council's corporate priorities and the MTFs.
- Continue to work with your regional partners to meet the infrastructure gap.
- Be clear about your plans for regeneration and communicate this widely.
- You've stabilised the organisation following a tough decoupling exercise you now need to refocus your relationships.

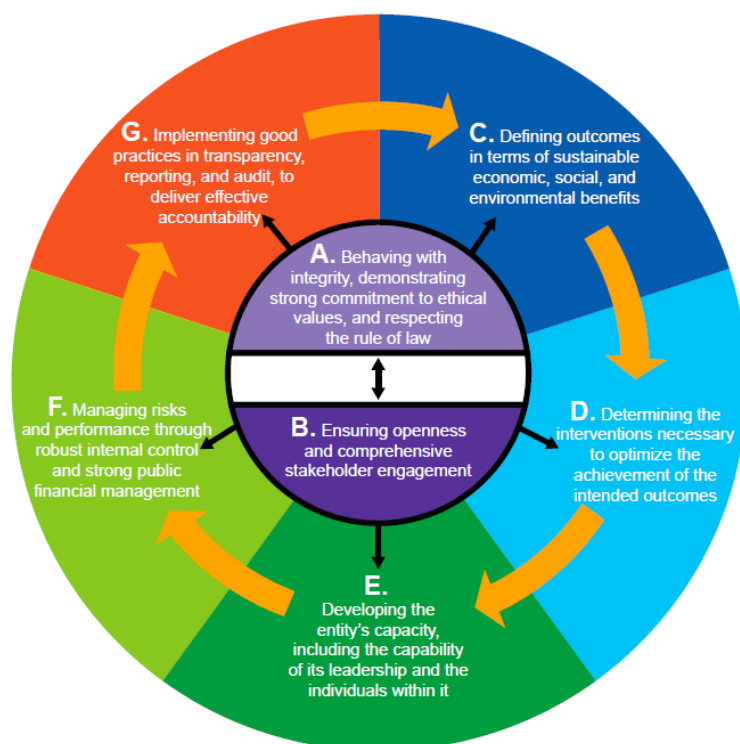
## FINANCE

A new Medium-Term Financial Strategy was approved by Council in February 2023. to cover the five years 2023/24 – 2027/28. Councillors received updates throughout 2022/23 to advise on the continuing financial effects of the pandemic to council services. Income was still noted to be affected as some Council services struggled to return to levels of activity and income generation at pre-March 2020 levels. These ongoing impacts were addressed as part of the 2023/24 budget. The purpose of the Medium-Term Financial Strategy is to deliver a balanced and affordable 2023/24 budget and ensure that the Council's finances are robust and sustainable over the medium term or act as an early warning system of a gap in future years between forecast expenditure and resources which the Council must address, and that in the longer term, the Council's finances are not reliant on the unsustainable use of one-off reserves or funding.

The Council has a robust approach to the use of reserves with any changes in uses of reserves from budgeted levels requiring approval in line with the Council's reserves policy. The S151 Officer carries out a risk assessment of general balances as part of the budget setting process and issues an overall opinion on the level of reserves via their S25 statement.

## ARRANGEMENTS FOR GOVERNANCE

The Council has approved and adopted a [Local Code of Corporate Governance](#), which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' 2016.



The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Council meets the Standards of the Framework in the following ways:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;

The Council has adopted codes of conduct for both Officers and Members which facilitates the promotion, communication and embedding of proper standards of behaviour. The Council's Chief Finance Officer and Monitoring Officer have specific statutory responsibilities to ensure that decisions taken by the Council are lawful and in line with constitutional requirements.

The Council's Constitution explains existing policy making and delegation procedures and the matters which must be dealt with by the full Council. It documents the role and responsibilities of the Executive, portfolio holders, each committee and Members and officers. The Council has approved a protocol governing relationships between Members and Officers as part of its Constitution Officers have job descriptions and there are clearly defined schemes of delegation, all of which are reviewed from time to time.

B. Ensuring openness and comprehensive stakeholder engagement;

The Council consults regularly with stakeholders, taxpayers and service users. The [letstalk.cherwell.gov.uk](http://letstalk.cherwell.gov.uk) is the consultation website and enables local people to find, participate in, and view outcomes from, any consultation activities that interest them. It also provides feedback opportunity for stakeholders, tax payers and service users. In addition, a number of different



## APPENDIX 1

groups and forums are in place to represent local views on a range of subjects including health and wellbeing and community safety.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;

The Delivery Plan sets out how the Council aims to work in partnership to achieve its agreed objectives. These key objectives are designed to be both financially and environmentally sustainable and have been developed in consultation with partners. The Medium-Term Financial Strategy makes a realistic assessment of financial resources available, and the Budget and Policy Framework approved by Council each year sets out revenue and capital spending limits, savings and efficiency targets as well as key improvement priorities for the forthcoming year.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes;

The Executive is responsible for ensuring that actions approved as part of the Budget and Policy Framework are delivered in each service area. The Projected Outturn, leadership risk register and performance against agreed key performance indicators (KPIs) reports to the Executive summarise the forecast financial outturn position each month against budget and delivery of agreed savings targets. These are also considered by CLT each month. These elements of the report are reviewed quarterly by the Budget Planning Committee and Accounts Audit and Risk Committee and the Overview and Scrutiny Committee respectively.

E. Developing the Council's capacity, including the capability of its leadership and the individuals within it;

Maximising capacity by working collaboratively is a key component of the Annual Delivery Plan and a number of longstanding partnership working arrangements are in place. The Constitution sets out how the governance aspects of these arrangements should operate in practice. The Human Resources and Development team has a specific role and remit to improve the capability and capacity of Council officers by offering a range of skills and qualification-based training opportunities.

F. Managing risks and performance through robust internal control and strong public financial management;

The Leadership Risk Register provide a high-level overview of key risks which are reported to CLT and Executive on a monthly basis and AARC on a quarterly meeting. Financial Procedure Rules, Contracts Procedure Rules and Employment Procedure Rules, set out the framework of internal controls. Internal Audit have a programme of work designed to assess how this framework operates in practice and report to the Accounts, Audit and Risk Committee.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

All Council meetings are held in public and minutes of meetings and webcasts are available on the Council's website. Public questions are allowed at Executive, Committees and Council meetings.

The Council publishes an Annual Financial Report (the Statement of Accounts) annually within the statutory timescales. The Annual Financial Report incorporates the full requirements of best practice guidance in relation to corporate governance, risk management and internal control.

The Council is subject to independent audit by Ernst and Young and receives an Annual Audit Letter reporting on findings. The Council supplements this work with its own internal audit function and ad hoc external peer reviews. The Accounts Audit and Risk Committee undertakes the core functions as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*.

## REVIEW OF EFFECTIVENESS

### Internal Audit

The Council uses several ways to review the effectiveness of governance arrangements. One of the key assurance statements is the annual report and opinion of the Chief Internal Auditor. The role of the Internal Audit Service is to provide assurance to management and those charged with governance about the quality and effectiveness of the governance framework and systems of internal control. The internal audit team have completed eight internal audits and five grant certifications, the outcomes have been reported to the Accounts, Audit & Risk Committee. (One report, from the eight, is not yet finalised but it should be by the end of May).

The 2019 CIPFA Statement on the “Role of the Head of Internal Audit in public service organisations” outlines the principles that define the core activities and behaviours that belong to the role of the ‘Head of Internal Audit’ and the governance requirements needed to support them. The Council's arrangements conform with the governance requirements of the CIPFA statement as our Chief Internal Auditor as follows:

- objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control
- championing best practice in governance and commenting on responses to emerging risks and proposed developments.
- be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee
- lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively
- be professionally qualified and suitably experienced.

The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). The self-assessment against the standards is completed on an annual basis and reported to the Accounts, Audit & Risk Committee. It is a requirement of the PSIAS for an external assessment of internal audit to be completed at least every five years. The next external assessment was due in 2022/23 however was delayed due to recruitment/staffing issues within the team. This is now booked for October 2023, the results will be reported to the January Accounts, Audit & Risk Committee.

The Chief Internal Auditor prepared an Annual Report on the work of Internal Audit which concludes for the 12 months ended 31 March 2023, there is **satisfactory** assurance regarding Cherwell District Council's overall control environment and the arrangements for governance, risk management and control. Where weaknesses have been identified

## APPENDIX 1

through internal audit review, they have worked with management to agree appropriate corrective action and timescale for improvement.

Where Internal Audit identifies areas for improvement, management action plans are in place and are routinely monitored by the Internal Audit team and reported to the Accounts, Audit & Risk Committee. Managers are required to provide positive assurance that actions have been implemented; performance on implementation is high, demonstrating that control weaknesses identified by Internal Audit are being addressed on a timely basis.

The Council agrees an Annual Plan for the Counter-Fraud Service each year. This is presented to the July meeting of the Accounts, Audit and Risk Committee, supporting the Council's Anti-Fraud and Corruption Strategy with updates taken throughout the year. The Counter-Fraud team's purpose is to adhere and to promote the zero-tolerance approach to fraud detailed in the Council's Fraud Strategy, by thoroughly investigating any instances of fraud; applying the appropriate sanctions; undertaking proactive and preventive work to prevent and detect fraud through training, awareness raising, data matching and proactive reviews.

The key objectives of the Counter-Fraud Strategy for 2022/23 were:

- Strategic: Continue to build the Counter Fraud team to support the Council to prevent and detect fraud and irregularity.
- Proactive: Undertake proactive counter fraud activities to reduce the risk of fraud in the Council.
- Reactive: Manage fraud referrals and investigations
- Data: Use data to detect and prevent fraud

For the period April 2022 – February 2023, 75 fraud cases were identified which relate . Of these, 23 cases were not prove, 18 resulted in changes to council tax support calculations, removals of single persons discounts, removal of small business rates reliefs and recovery of council housing and the remaining 34 cases were open.

### Partnership decoupling

Following the decisions at the respective Cherwell District Council and Oxfordshire County Council Full Council meetings in February 2022 to terminate the s.113 Agreement between the councils, the Joint Shared Services and Personnel Committee (JSSP) concluded its work and accordingly, at its 4 July 2022 meeting, JSSP recommended to Council to agree to disband the Committee as from 31 August 2022. There are no longer shared Chief or Statutory Officers..

There are service level agreements in place, reviewed annually by the directors, for services that provided by Oxfordshire County Council post decoupling.

The Council continues to make steady progress towards establishing services/ teams including an in house operating model for services that had previously been provided on a joint basis including legal, procurement, property and information management teams.

### Financial Management Code

A key goal of the Financial Management Code of Practice (launched by CIPFA in November 2019) (FM Code) is to improve the financial resilience of organisations by embedding enhanced standards

## APPENDIX 1

of financial management. Since April 2021 authorities have been expected to work towards full compliance of the FM Code. There are clear links between the FM Code and the Governance Framework, particularly with its focus on achieving sustainable outcomes. As such, Annex 1 sets out the outcomes of the Council's latest self- assessment of compliance with the FM Code. The picture is positive, with the RAG (Red-Amber-Green) rating of compliance showing as Green for all of the 19 standards. A column showing 'Further Work' gives an indication of improvements that can be made over the current year.

### Actions

Significant actions identified in the preceding years AGS have now been completed with the update on the decoupling as provided above. The Constitution has also been reviewed to the extent necessary to reflect termination of the joint arrangements with scheme of delegation and contract and financial procedures rules updated.

The Council's Monitoring Officer has formed the Corporate Oversight and Governance Group (COGG). The primary purpose of the COGG is to ensure good governance and decision-making processes, effective risk management, ensuring and improving value for money, effective internal controls and ensuring transparency and accountability.

The COGG is an internal officer group consisting of the Corporate Director (Resources) as the responsible chair, Monitoring Officer, the S151 Officer, Chief Internal Auditor, Deputy S151 Officer, Head of Legal & Democratic/ Deputy Monitoring Officer (when in post) and Assistant Director Customer Focus.

## GOVERNANCE SELF ASSESSMENT

Annual Assurance Statements from Assistant Directors have been received and have highlighted the following main issues:

- Recruitment and skills gap
- Officer understanding of their role in delivering the Strategic Priorities
- Arrangements for the Identification of risks
- Clarity on governance
- Consistent compliance with the Transparency Code on procurement matters

These reviews identified improvement which are contained in the action plan.

## ACTIONS FOR 2023/2024

	Responsible Person	Date
Ensure that the Council has sufficient and appropriately qualified staff to deliver its programme of work and projects.	Assistant Directors / Human Resources	tbc
Increase awareness of all officers to Council's policies and procedures via training and workshops.	Assistant Directors	tbc

## APPENDIX 1

Implement Procurement Strategy for the Council with procurement strategy acting as a lever for cascading corporate priorities down to services and capital projects delivered through commercial partners with alignment between the two.	Assistant Director of Law & Governance / Procurement Manager	tbc
Ensure value is delivered through contract management and afforded time, technical expertise and people to discharge them.	Assistant Directors / Procurement Manager	tbc
Ensure Procurement and Contracts guidance is in place and embed a culture of compliance.	Procurement Manager	September 2023
Ensure contracts and procurement are procured in accordance with the contract tailored procurement and contract strategies with strong internal control.	Assistant Directors	August 2023
Ensure Health and Safety processes and guidance are in place and understood.	Human Resources	tbc
Ensure Business Continuity Plans are reviewed and updated annually.	Corporate Director of Communities	tbc
Develop and implement Asset Management Strategy which provides an overview of our land and property assets, ensuring focus is maintained on our main priorities for managing, maintaining and developing our assets over the next five years. The strategy should inform policies enabling us to develop action plans, agree priorities and make decisions to meet our longer-term objectives.	Assistant Director of Property	tbc

Other governance outcomes are shown below:

- Nil reports issued by the S151 Officer or the Monitoring Officer.
- The MO received eight complaints about member conduct in 2022/ 2023. Seven were dismissed at initial stage with one offered an informal resolution.
- The Local Government and Social Care Ombudsman upheld 1 complaint out of total 12 received.

### STATEMENT OF OPINION

It is our opinion that the Council's governance arrangements in 2022/23 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2023/24. It is our opinion that our ability to maintain sound governance during the past year, has been effective.

-----

Yvonne Rees

Chief Executive

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Cllr

Leader of the Council

Dated:

DRAFT

## Annex 1 – Summary Financial Management Code Assessment

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
<b>1. Responsibilities of the CFO and Leadership Team</b>				
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money	All services reviewed to ensure being delivered efficiently and appropriate savings identified. All tenders consider VfM by considering the quality of service and not just price.	Develop a statement of how proposals in Executive Reports will deliver value for money where appropriate	
B	The authority complies with the CIPFA “Statement of the Role of the CFO in Local Government”	The CFO is a qualified accountant with significant experience working as an active member of the leadership team. The CFO is a member of CLT (Corporate Leadership Team) and has an influential role with members of the Executive, Accounts, Audit & Risk Committee and lead opposition members.	Review annually the statement of roles and responsibilities of CFO, CLT and the Exec.	
<b>Governance and Financial Management Style</b>				
	The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control	While operating in partnership with Oxfordshire County Council, a Corporate Governance and Assurance Group (CGAG) was set up to ensure good governance and internal control, including driving the production of the Annual Governance Statement (AGS) and Action Plan through the completion of Professional Lead Statements and engagement with Corporate Directors. Following decoupling from OCC this function will sit with Corporate Oversight and Knowledge Governance Group (COKGG) so that the AGS process will be owned by the most senior officers in the Council with a CDC-specific process.	The AGS process previously led by CGAG will be incorporated into COKGG.	

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
D	The authority applies the CIPFA/SOLACE “Delivering Good Governance in Local Government: Framework (2016)”	Annual Governance Statement includes audit opinion on effectiveness of internal control environment and systems of internal control.	Continue to enhance and develop the AGS through COKGG. Reporting to AARC has been enhanced to include regular reports on FOI, data subject access requests, EIR requests and RIPA approvals, to give visibility and assurance on regulatory compliance.	
E	The Financial Management style of the authority supports financial sustainability	The Council has adopted a Business Partnering model that supports managers to deliver financially sustainable services by providing strategic advice and support. This is underpinned by a Corporate Function that manages the strategic financing issues and provides the budget setting and accounting framework for the organisation.	Continue to develop the skills of managers to ensure that they have access to performance and financial information that enables them to deliver services that are financially sustainable.	
<b>Long to Medium-Term Financial Management</b>				
	The authority has carried out a credible and transparent financial resilience assessment	A Financial Resilience assessment is included within the Budget Documents. The assessment is consistent with the Medium-Term Financial Strategy (MTFS) assumptions.		
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	MTFS far more transparent than in previous years clearly outlining the financial challenges facing CDC in the Budget and Business Planning Process 2022/23 – 2026/27 Report	Continue to update CLT and the Executive throughout year and within Budget/MTFS documents	
H	The authority complies with the CIPFA “Prudential Code for Capital Finance in Local Authorities”	Capital Strategy is produced. Quarterly Treasury Management monitoring considered at the Accounts, Audit and Risk Committee. a profiled five-year capital programme was approved by Council in Feb 2022.	. Provide quarterly TM and Prudential Indicator updates as part of monitoring reports.	
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	CDC has an Integrated Business Planning and Budget Process with a five-year MTFS.	Continue to ensure services are aware of future savings plans committed to and savings are	



Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
			implemented. Encourage 'early alert' if future savings are at risk.	
<b>4. The Annual Budget</b>				
J	The authority complies with its statutory obligations in respect of the budget setting process	The Council produces its annual balanced budget and supporting documentation.		
K	The budget report includes a statement by the CFO on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves	S25 report accompanies the suite of Budget documents. Enhanced by including an assessment of readiness for implementing the FM Code		
<b>5. Stakeholder Engagement and Business Plans</b>				
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	Significant consultation on the budget proposals as well as ensuring carry out the statutory business rate payers' consultation.	Continue with corporate and directorate consultation where appropriate.	
	The authority uses an appropriate documented options appraisal methodology to demonstrate the value for money of its decisions	A business case is required for all capital schemes which sets out alternative options, the reasons for discounting them and benefits of progressing with the scheme. All tenders consider VfM by considering the quality of service and not just price – the appraisal process is documented. The Strategic Place Shaping Programme Board implemented a Gateway process for evaluation of projects which considers factors such as vfm, business need.	Agree consistent business case templates from outline through to full for both revenue and capital schemes for all strategic boards.	
<b>6. Monitoring Financial Performance</b>				
N	The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	The monthly Performance, Risk and Financial Monitoring Report to Executive enables CLT and Executive to respond to emerging risks – the effectiveness was evidenced during 2020/21 as the Council agreed an in-year budget to respond to the financial impact of COVID-19.	The Capital Programme monitoring element requires enhancement to: <ul style="list-style-type: none"> <li>better reflect performance and the delivery of outcomes linked to the completion of capital schemes.</li> </ul>	

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
		Enhancements to capital reporting have been introduced to now include analysis of variances to the total cost of the scheme rather than comparison to in-year profiled budget.	<ul style="list-style-type: none"> <li>Ensure all capital schemes are monitored by a strategic board or specific DLT where a strategic board doesn't exist to that type of scheme.</li> </ul>	
O	The Leadership Team monitors the elements of its balance sheet that pose a significant risk to financial sustainability	Reserves and balances are monitored monthly and changes in budgeted use require appropriate approvals before they can be assumed. Debtor monitoring takes place quarterly identifying aged debt of Council debt. Aged debt was recently reviewed en masse which resulted in significant debt being written off.	Continue to review aged debt to consider the collectability of this. Take proposed write-offs to Exec regularly.	
<b>External Financial Reporting</b>				
Q	The CFO has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom"	The annual accounts are produced in compliance with the CIPFA Code.		
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	CLT and Executive consider outturn report and year end variances enabling strategic financial decisions to be made as necessary.		

## **Cherwell District Council**

### **Accounts Audit and Risk Committee**

**26 July 2023**

#### **Risk Monitoring Report Quarter 1, 2023**

#### **Report of Assistant Director – Customer Focus**

This report is public.

### **Purpose of report**

To update the committee on how well the council is managing its Strategic Risks and to seek the committee's views on the Council's Risk Management Strategy.

### **1. Recommendations**

The meeting is recommended:

- 1.1 To note the Risk Monitoring Report for Quarter 1 2023.
- 1.2 To review the Council's current Risk Management Strategy 2022/23 (Appendix 2) and recommend any improvements for Executive consideration.

### **2. Introduction**

- 2.1 The Council carries out regular reviews to identify risks at the earliest opportunity so that it can assess and mitigate them as soon as possible.
- 2.2 Risks that may affect the Council's performance as a whole, and particularly, on its ability to deliver its corporate priorities are captured in its Leadership Risk Register.
- 2.3 The Leadership Risk Register is reviewed by the Corporate Leadership Team and Executive Committees every month; however, this is a live document and therefore updated as and when required, to manage new risks effectively.
- 2.4 The Council's approach to risk management is set out in its Risk Management Strategy, which is attached in Appendix 2. The **Accounts Audit and Risk Committee** is responsible for reviewing the strategy annually and making any recommended improvements to the Executive Committee for their consideration.

### 3. Risk Update – Quarter 1, 2023.

3.1 There were no changes to any of the risk scores in the Leadership Risk Register in Quarter 1. The scores for current risks remain as follows:

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

Figure 2: Risk scorecard showing the risk scores in the Leadership Risk Register for Quarter 1 2023.

3.2 There were however changes to the descriptions and controls for the following risks:

Risk	Score	Latest Update
L03 CDC Local Plan	12 Medium Risk	<b>Comments added:</b> “The emerging draft of the Local Plan is scheduled to be re-presented to the Council's Executive in September 2023”
L09 Safeguarding the vulnerable - Internal procedures	8 Low Risk	<b>Comments added:</b> “New member training will be launched in the bitesize briefing on 24th July”.
L10 Sustainability of Council owned companies and delivery of planned financial and other objectives	6 Low Risk	<b>Comments added:</b> “Governance Review completed and approved by Shareholder Committee”
L11 Financial sustainability of third- party suppliers and contractors	12 Medium Risk	<p><b>Controls updated:</b></p> <ul style="list-style-type: none"> <li>-Ensure contract management in place review and anticipate problems within key service suppliers and partners.</li> <li>-Business continuity planning arrangements in place in regard to key suppliers</li> <li>-Ensuring that proactive review and monitoring is in place for key suppliers to ensure we are able to anticipate any potential service failures</li> <li>-Intelligence unit set up procurement Hub to monitor supplier and contractor market</li> <li>-Analysis of third party spend undertaken to identify and risk assess key suppliers/contractors</li> </ul> <p><b>Comments added:</b>” Contract management sits with individual service departments as owners of those contracts”</p>

L12 Corporate Governance	9 Low Risk	<p><b>Controls updated:</b></p> <ul style="list-style-type: none"> <li>- Clear and robust control framework including: constitution, scheme of delegation, ethical walls policy etc.</li> <li>- Clear accountability and resource for corporate governance (including the shareholder role).</li> <li>- Integrated budget, performance and risk reporting framework.</li> <li>- Corporate programme office and project management framework. Includes project and programme governance.</li> <li>- Internal audit programme aligned to leadership risk register.</li> <li>- Training and development resource targeted to address priority issues; examples include GDPR, safeguarding etc.</li> <li>- HR policy framework.</li> <li>- Annual governance statement process undertaken for 2021/22 connects more fully and earlier with ELT and CLT.</li> <li>- Annual Review of the Constitution by the MO with member involvement and approval by the Full Council</li> </ul>
L13 Major Infrastructure Projects and Programmes	12 Medium Risk	<p><b>Name changed</b> from "Oxfordshire Housing and Growth Deal"</p>

#### 4. Conclusion

This report provides an update on how well the council is managing its Strategic Risks for the first Quarter of this year.

#### 5. Consultation

N/A

#### 6. Alternative Options and Reasons for Rejection

N/A

#### 7. 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,  
01295 221845 [Michael.Furness@cherwell-dc.gov.uk](mailto:Michael.Furness@cherwell-dc.gov.uk)

Tel:

## Legal Implications

- 7.2 There are no legal implications arising directly from this report.  
Comments checked by:  
Shiraz Sheik, Assistant Director for Law and Governance, Tel: 01295 221651  
[shiraz.sheikh@cherwell-dc.gov.uk](mailto:shiraz.sheikh@cherwell-dc.gov.uk)

## Risk Implications

- 7.3 This report contains a full update with regards to the Council's risk position at the end of Quarter 1, 2023. There are no risk implications arising directly from this report.  
Comments checked by:  
Celia Prado-Teeling, Performance & Insight Team Leader.  
Tel: 01295 221556 [Celia.prado-teeling@cherwell-dc.gov.uk](mailto: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, Performance & Insight Team Leader.  
Tel: 01295 221556 [Celia.prado-teeling@cherwell-dc.gov.uk](mailto:Celia.prado-teeling@cherwell-dc.gov.uk)

## 8. 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 Sandy Dallimore – Portfolio Holder for Corporate Services

## Document Information

### Appendix number and title

Appendix 1 – Leadership Risk Register Quarter 1, 2023

Appendix 2 – Risk Management Strategy 22/23

**Background papers**

None

**Report Author and contact details.**

Celia Prado-Teeling, Performance & Insight Team Leader. Tel: 01295 221556

[Celia.prado-teeling@cherwell-dc.gov.uk](mailto:Celia.prado-teeling@cherwell-dc.gov.uk)

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## Appendix 1 - Leadership Risk Register Quarter 1, 2023

**Table 1** – Summary of all risks in the Leadership Risk Register with residual scores (after controls) and rating for Q12023

**High Risk (16-25)** – requires active management to bring score down when possible and maintain it at an acceptable level.

**Medium Risk (10 -15)** - 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 controls to reduce the probability if this can be done cost effectively, but management to ensure the impact remains low should be adequate. Re-asses frequently to ensure condition remains the same.

Risk Name	Risk Quarter 1	
	Residual Score	Rating
L01 Financial resilience	16	▲
L08 Cyber Security	15	●
L03 CDC Local Plan	12	●
L06 Safeguarding the Vulnerable - Operational and partnership actions-	12	●
L07 Health and safety	12	●
L11 Financial sustainability	12	●
L13 Major Infrastructure Projects and Programmes	12	●
L14 Workforce Strategy	12	●
L02 Statutory functions	09	★
L12 Corporate Governance	09	★
L09 Safeguarding the vulnerable - Internal procedures-	08	★
L04 Business Continuity	06	★
L05 Emergency Planning (EP)	06	★
L10 Sustainability of Council owned companies and delivery of planned financial and other objectives	06	★

**Table 2** - Overall position of all the risks contained within the Leadership Risk Register for Quarter 1, 2023 including their impact and probability scores (after controls).

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

# Leadership Risk Register

## L01 Financial resilience

Risk Description	Portfolio Holder	Monitoring Officer	Risk Response	R.A.G	Actual
Failure to react to external financial impacts, new policy and increased service demand. Poor investment and asset management decisions.	Cllr A Nell	Joanne Kaye	Treat	▲	16

### Risk - Control and Action Suggestions

Medium Term Revenue Plan reported regularly to members.  
 Balanced medium term and dynamic ability to prioritise resources.  
 Highly professional, competent, qualified staff.  
 Good networks established locally, regionally and nationally.  
 Strong shareholder function and relationships with subsidiaries.  
 Financial returns from the subsidiaries are not included in the MTF5 until they are reasonably assured to materialise.  
 National guidance interpreting legislation available and used regularly.  
 Progress regeneration plans in a coordinated manner.  
 Participate in Oxfordshire Treasurers' Association's work streams.  
 Review of best practice guidance from bodies such as CIPFA, LGA and NAO.  
 Treasury management and capital strategies in place Investment strategies in place Regular financial and performance monitoring in place.  
 Independent third party advisers in place  
 Regular bulletins and advice received from advisers  
 Property portfolio income monitored through financial management arrangements on a regular basis.  
 Asset Management Strategy in place and embedded.  
 Transformation Programme in place to deliver efficiencies and increased income in the future

### Comments and Last Updated

Risk Reviewed and updated on 03/07/2023

## L02 Statutory functions

Risk Description	Portfolio Holder	Monitoring Officer	Risk Response	R.A.G	Actual ↑
Failure to meet statutory obligations and policy and legislative changes are not anticipated or planned for.	Cllr S Dallimore	Shiraz Sheikh	Treat	★	09
<p><b>Risk - Control and Action Suggestions</b></p> <p>Embedded system of legislation and policy tracking In place, with clear accountabilities, reviewed regularly by Directors.</p> <p>Clear accountability for responding to consultations with defined process to ensure Member engagement</p> <p>National guidance interpreting legislation available and used regularly</p> <p>Risks and issues associated with Statutory functions incorporated into Directorate Risk Registers and regularly reviewed.</p> <p>Clear accountability for horizon scanning, risk identification / categorisation / escalation and policy interpretation in place</p> <p>Robust Committee forward plans to allow member oversight of policy issues and risk management, including Scrutiny and Audit</p> <p>Internal Audit Plan risk based to provide necessary assurances</p> <p>Strong networks established locally, regionally and nationally to ensure influence on policy issues. In addition two Directors hold leading national roles</p> <p>Senior Members aware and briefed regularly in 1:1s by Directors</p> <p>Arrangements in place to source appropriate interim resource if needed</p> <p>Ongoing programme of internal communication.</p> <p>Programme Boards in place to oversee key corporate projects and ensure resources are allocated as required</p> <p>CDC Extended Leadership Team (ELT) Meetings established to oversee and provide assurance on key organisational matters including resourcing.</p>					
<p><b>Comments and Last Updated</b></p> <p>Risk reviewed on 06/07/2023 - No changes</p>					

## L03 CDC Local Plan

Risk Description	Portfolio Holder	Monitoring Officer	Risk Response	R.A.G	Actual
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	Cllr D Sames	David Peckford	Treat		12

### Risk - Control and Action Suggestions

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

### Comments and Last Updated

Risk reviewed on 05/07/2023 - The emerging draft of the Local Plan is scheduled to be re-presented to the Council's Executive in September 2023.

## L04 Business Continuity

Risk Description	Portfolio Holder	Monitoring Officer	Risk Response	R.A.G	Actual
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	Cllr P Chapman	Tim Hughes	Treat		06

### Risk - Control and Action Suggestions

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  
 Incident management team identified in Business Continuity Framework  
 All services undertake annual business impact assessments and updates of business continuity plans  
 Cross-council BC Steering Group meets regularly to identify BC improvements needed

### Comments and Last Updated

Risk Reviewed on 05/07/2023 - No changes

## L05 Emergency Planning (EP)

Risk Description	Portfolio Holder	Monitoring Officer	Risk Response	R.A.G	Actual
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	Cllr P Chapman	Tim Hughes	Treat	★	06

### Risk - Control and Action Suggestions

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  
 On-call rota being maintained and updated to reflect recent staffing changes

### Comments and Last Updated

Risk reviewed on 05/07/2023 - No changes

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## L06 Safeguarding the Vulnerable - Operational and partnership actions-

Risk Description	Portfolio Holder	Monitoring Officer	Risk Response	R.A.G	Actual
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.	Cllr P Chapman	Tim Hughes	Treat	●	12

### Risk - Control and Action Suggestions

Engagement with the Oxfordshire partnerships protocol review to identify improvements to local arrangements in support of the strategic partnerships. Outcomes of review to be implemented.  
 Child Exploitation prevalence report reviewed with LPA Commander following each CE sub-group meeting.  
 Community based exploitation disruption coordinated through the Joint Agency Tasking and Coordination Process.

### Comments and Last Updated

Risk Reviewed on 05/07/2023 - No changes

## L07 Health and safety

Risk Description	Portfolio Holder	Monitoring Officer	Risk Response	R.A.G	Actual
Failure to ensure effective arrangements are in place for Health and Safety.	Cllr S Dallimore	Ruth Wooldridge	Treat	●	12

### Risk - Control and Action Suggestions

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. 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.

Consultation with employee representatives via employer and union consultative committees (Unison)

Corporate H&S Training provided via corporate learning and development programme. Training for operational risks may be organised by services.

H&S performance monitored by accident and incident reports and corporate H&S auditing and inspection programme.

H&S information is disseminated via internal communications and updates to ELT and other relevant meetings.

### Comments and Last Updated

Risk Reviewed on 06/07/2023 - No changes

## Page 8 Cyber Security

Risk Description	Portfolio Holder	Monitoring Officer	Risk Response	R.A.G	Actual
If there is insufficient security with regards to the data held and IT systems used by the councils and insufficient protection against malicious attacks on council's systems then there is a risk of: a data breach, a loss of service, cyber- ransom.	Cllr S Dallimore	David Spilsbury	Treat	●	15

### Risk - Control and Action Suggestions

File and data encryption on computer devices

Managing access permissions and privileged users through AD and individual applications

Schedule of regular security patching

Vulnerability scanning

Malware protection and detection

Effective information management and security training and awareness programme for staff

Password and Multi Factor Authentication security controls in place

Robust information and data related incident management procedures in place

Appropriate robust contractual arrangements in place with all third parties that supply systems or data processing services

Appropriate plans in place to ensure ongoing PSN compliance

Adequate preventative measures in place to mitigate insider threat, including physical and system security

Insider threat mitigated through recruitment and line management processes

A complete restructure and update of the technical approach for the infrastructure has resulted in a move to a zero trust model.

Advice received from NCSC on specific activity alerts, the increased threat of globalised ransomware and malware attacks.

### Comments and Last Updated

Risk reviewed on 05/07/2023 - No changes

L09 Safeguarding the vulnerable - Internal procedures-

Risk Description	Portfolio Holder	Monitoring Officer	Risk Response	R.A.G	Actual
Failure to follow our internal policies and procedures in relation to safeguarding vulnerable adults and children or raising concerns about their welfare.	Cllr P Chapman	Nicola Riley	Treat	★	08

**Risk - Control and Action Suggestions**

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.

**Comments and Last Updated**

Risk reviewed on 06/07/2023 - New member training will be launched in the bitesize briefing on 24th July.

L10 Sustainability of Council owned companies and delivery of planned financial and other objectives

Risk Description	Portfolio Holder	Monitoring Officer	Risk Response	R.A.G	Actual
Failure of council owned companies to achieve their intended outcomes or fail to meet financial objectives	Cllr A Nell	Stephen Hinds	Treat	★	06

**Risk - Control and Action Suggestions**

Annual business planning in place for all companies to include understanding of the link between the Council's strategic 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. A governance review is being undertaken and initial recommendations have been approved by the Shareholder Committee.  
 Regular meetings are in place between the Council's S.151 Officer and the relevant company Finance Directors. Financial planning for the companies undertaken that will then be included within our own Medium Term Financial Strategy. Financial risks are routinely reported by the Shareholder Representative to the Shareholder Committee.  
 Clear governance arrangements are in place. A governance review is being undertaken and initial recommendations have been approved by the Shareholder Committee.  
 Sound monitoring in place of both business and financial aspects of the companies and the impact on overall council performance through the Shareholder Representative meetings and through the reporting to the Corporate Leadership Team on a monthly basis.  
 Training in place for those undertaking roles relating to the companies.

**Comments and Last Updated**

Risk reviewed on 06/07/2023 - Governance Review completed and approved by Shareholder Committee

## L11 Financial sustainability

Risk Description	Portfolio Holder	Monitoring Officer	Risk Response	R.A.G	Actual
Financial sustainability of third-party suppliers and contractors	Cllr A Nell	Michael Sullivan	Treat		12

### Risk - Control and Action Suggestions

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

### Comments and Last Updated

Risk reviewed on 06/07/2023 - Controls - Contract management sits with individual service departments as owners of those contracts.

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## 02 Corporate Governance

Risk Description	Portfolio Holder	Monitoring Officer	Risk Response	R.A.G	Actual
Failure of corporate governance leads to negative impact on service delivery or the implementation of major projects providing	Cllr S Dallimore	Shiraz Sheikh	Treat		09

### Risk - Control and Action Suggestions

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 by the MO with member involvement and approval by the Full Council

### Comments and Last Updated

Risk reviewed on 30/06/2023 - Amendments made to the risk controls



## L13 Major Infrastructure Projects and Programmes

Risk Description	Portfolio Holder	Monitoring Officer	Risk Response	R.A.G	Actual
(incorporating residual Oxfordshire Housing and Growth Deal Homes from Infrastructure workstream)	Cllr D Ford	Robert Jolley	Treat	●	12
<b>Risk - Control and Action Suggestions</b> Need to establish appropriate officer and stakeholder governance structures to support effective programme delivery. Need to institute regular and effective dialogue with developers.					
<b>Comments and Last Updated</b> Risk reviewed on 30/06/2023 - Name changed in May 2023					

## Page 11 of 11 4 Workforce Strategy

Risk Description	Portfolio Holder	Monitoring Officer	Risk Response	R.A.G	Actual
The lack of effective workforce strategies could impact on our ability to deliver Council priorities and services	Cllr S Dallimore	Claire Cox	Treat	●	12
<b>Risk - Control and Action Suggestions</b> Analysis of workforce data and on-going monitoring of issues. Key staff in post to address risks (e.g. strategic HR business partners) Weekly Vacancy Management process in place Ongoing service redesign will set out long term service requirements					
<b>Comments and Last Updated</b> Risk reviewed on 05/07/2023 - No changes					

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# **Risk Management Strategy**

## **2022/23**

<b>Owner:</b> Section 151 Officer
<b>Author:</b> Interim Assistant Director – Customer Focus
<b>Date of next review:</b> September 2022

**Version History:**

Version	Date	Section	Reviewer	Description of Amendment
0.1	28/02/2018	ALL	Louise Tustian (Insight Team Leader)	<ul style="list-style-type: none"> <li>Minor amendments throughout</li> <li>Adaptation of strategy to reflect new senior management structure and implementation of new Leadership Risk Register</li> </ul>
0.2	01/03/2018	ALL	Rakesh Kumar (Insight Team Manager)	<ul style="list-style-type: none"> <li>Minor amendments</li> <li>Inclusion of version history</li> <li>Update to 1.5 Risk Appetite following feedback from the Director – Customer Services and Service Developments</li> </ul>
0.3	01/03/2018	ALL	Claire Taylor (Director of Customer & Service Development)	<ul style="list-style-type: none"> <li>Minor amendments throughout</li> </ul>
0.4	04/04/18	All	Louise Tustian (Insight Team Leader)	<ul style="list-style-type: none"> <li>Minor amendments</li> </ul>
0.5	01/07/2019	All	Louise Tustian (Insight Team Leader)	<ul style="list-style-type: none"> <li>Minor amendments reflecting separation of CDC and SNC.</li> </ul>
0.6	31/01/2021	All	Louise Tustian (Head of Insight & Corporate Programmes)	<ul style="list-style-type: none"> <li>Annual review of strategy pre CEDR review.</li> </ul>
0.7	01/05/2022	All	Celia Prado-Teeling (Interim Assistant Director – Customer Focus)	<ul style="list-style-type: none"> <li>Annual review of strategy pre CLT review.</li> </ul>

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## Section 1: Introduction

### 1.1 An overview of Risk Management

This strategy outlines the overall approach to risk and opportunities management for Cherwell District council.

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

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

Risk, can therefore be defined as:

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

The Council is aware that risks will always arise, and most risks cannot be fully eliminated, only managed to an acceptable level. Within this context the council is committed to managing risk to reduce the impact on the organisations priorities and on service provision.

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

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

### 1.2 The Risk Management Framework

Cherwell District Council is committed to ensuring risk management is embedded across the whole organisation. For risk management to be successful, it is imperative that there is a single, yet flexible, approach for the management of business risk, adopted through all levels of the organisation.

The Council’s risk management framework follows good practice guidance to help the Council to be an effective and efficient organisation. Councillors and officers are supported in this activity by the Corporate Team, which maintains and promotes the risk management framework, which includes:

- Risk and Opportunities Management Strategy
- Risk Management Tools and Guidance
- Risk Management Training

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

- Raising awareness of significant risks with priority ranking, to assist controlling them in an efficient manner.
- Allocating responsibility and accountability for risks and associated controls and any actions required to improve controls
- Aiding the process of strategic and business planning
- Identifying new opportunities and supporting innovation
- Providing a framework for the effective management of strategic risks
- Aiding effective partnership working, particularly in terms of identifying shared risks

Primarily, councillors and senior leaders of the organisation will be focused on the strategic and business critical risks that could impact on the achievement of objectives or successful delivery of outcomes. Collectively these are known as “Strategic risks” and are managed via the Leadership Risk Register.

More detailed operational risks will be the primary concern of services and functions, where managers will control and monitor their risks and escalate these to a strategic level if the risk is no longer appropriately contained and managed at an operational level.

Identified risks and controls are managed through risk registers and should be regularly discussed, reviewed and updated. Frequent risk reporting takes place across all levels of the organisation.

The Performance & Insight Team has a key role to play in supporting the operating principles of the Council and helping to achieve the strategic aims and priorities by providing oversight, challenge and assurance that risk is being effectively managed across the organisation.

### **1.3 Strategy Objectives**

The objectives of the Risk Management Strategy are to:

- maintain a register that identifies, assesses and ranks all Leadership risks and opportunities facing the council, which will assist the council in achieving their strategic priorities through pro-active risk management
- rate all significant risks in terms of likelihood of occurrence and potential impact upon the council and ensure effective controls are in place to mitigate significant risks
- allocate clear ownership, roles, responsibilities and accountability for risk management
- facilitate compliance with best practice in corporate governance, which will support the Annual Governance Statements (issued with the annual statement of accounts)
- raise awareness of the principles and benefits involved in the risk management process, and to obtain staff and Member commitment to the principles of risk management and control
- ensure that good quality risk information is provided to the Corporate Leadership Team (CLT) and Members, providing a framework for assurance that the controls identified to mitigate a risk are operating effectively
- ensure there is a link to the business plan

## **1.4 Risk Appetite**

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

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

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

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

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

## **1.5 Embedding Risk Management**

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

Risk is reported to CDC Executive as part of an integrated finance, performance, and risk framework.

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

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

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



1. A monthly review of the Leadership risk register updates at CLT who take responsibility for ensuring that management actions highlighted in the risk registers are implemented
2. The Leadership risk review is presented to the relevant council committee (Executive and Accounts Audit and Risk Committee) to ensure Councillors have good access to risk information
3. Risk management and risk escalation awareness training sessions will be facilitated for Councillors and employees and guidance is available on the intranet.
4. An internal audit of risk management will take place annually.
5. A process of annual review is undertaken by CLT to ensure the Leadership risk register remains up to date and that obsolete risks are removed.
6. The Performance & Insight team facilitates regular discussions around Risk and Performance at service team meetings, reiterating the escalation process into CLT.
7. The council will seek to learn from other organisations where appropriate, and to keep up to date with best practice in risk management.

## Section 2: Risk Management Processes

### 2.1 The Risk Management Process

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



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

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

To ensure this process is effectively undertaken the council maintains and reviews a register of their Leadership risks and opportunities and where possible links them to strategic business priorities.

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

## 2.2 Identifying Risk

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

For each Leadership risk identified the following should be considered:

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

### Identifying different types of risk:

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

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

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

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

At any point in the year CLT and council committees may identify new risks. If this is the case the risk assessment method is followed, and the Insight team adds the risk to the register.

## **Operational Risks**

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

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

## **Programme / Project Risks**

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

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

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

- The high level risk and its controls will be recorded and managed through the council's Leadership risk register. Detailed risks associated with the programme/project will be recorded in its risk log.
- Risk should be a frequent item on each programme/project board meeting to review existing risks and the effectiveness of their controls and to identify any new risks.
- Risk management in programmes and projects will be supported as necessary by the Programme Manager and the Performance & Insight Team Leader.

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

## 2.3 Assessing Risk

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

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

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

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

*NB inherent risk is sometimes referred to as gross risk.*

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

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

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

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

## Organisational risk profile

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

## 2.4 Managing and Controlling Risk

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

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

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

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

### The Four T's

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

**Tolerate:** The council's may tolerate a risk where: -

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

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

**Terminate:** Doing things differently and therefore removing the risk. This is particularly important in terms of project risk but is often severely limited in terms of the Leadership risks of an organisation.

**Transfer:** Transferring some aspects of the risk to a third party. For example, via insurance, or by paying a third party to take the risk in another way. This option is particularly good for mitigating financial risks, or risks to assets. However, it is a

limited option – very few Leadership risks are insurable and only around 15 -20% of operational risks can be insured against.

## **2.5 Reviewing and Reporting on Risk**

The Leadership risk register will be reported to committees regularly and reviewed monthly by CLT. This review involves consideration of all Leadership risks facing the council, which could impact on the achievement of council strategic priorities, which could have an effect across more than one service.

The review should focus on four key factors:

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

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

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

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

## **2.6 Linking risk to business plans and performance**

### **Linking Leadership Risk to the Council Business Plan**

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

### **Incorporating Operational Risk into Service Plans**

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

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

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

## Integrating Risk and Performance Management

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

## 2.7 Linking risk to programmes and projects

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

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

## Risk Management responsibilities in project environments

Corporate Management CLT	Responsible for providing and ensuring adherence to the Risk and Opportunities Management Strategy
Programme Senior Responsible Owner	Accountable for risk management actions agreed at Programme Board level, following escalation from projects
Assistant Director	Accountable for risk management actions agreed at DMT following escalation from projects and operational risks within the Directorate
Project Sponsor	<ul style="list-style-type: none"><li>• Accountable for all risk management within the project, and for putting in place a risk management approach or strategy specific to the project</li><li>• Ensures all risks associated with the project business case are identified, assessed and controlled</li><li>• Triggers an escalation</li></ul>
Senior user/customer/client board member	Responsible for ensuring all risks to users are identified, assessed and controlled
Senior supplier board member	Responsible for ensuring all risks to delivery are identified, assessed and controlled

Project Manager	<ul style="list-style-type: none"> <li>• Creates the project-specific risk management approach as directed by the sponsor</li> <li>• Responsible for creating and maintaining the risk register in line with requirements of the Risk and Opportunities Management Strategy, ensuring risk identification, assessment and control measures are implemented.</li> </ul>
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## Section 3: Roles and Responsibilities

### 3.1 Accountability

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

The overall responsibility for the effective management of risks rests with full council Executive (lead member/portfolio holder) as advised by CLT.

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

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

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

### 3.2 Council Committees

#### Accounts, Audit and Risk Committee

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

#### Executive

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

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



### **3.3 Section 151 Officer**

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

### **3.4 Corporate Leadership Team (CLT)**

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

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

### **3.5 Performance & Insight Team**

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

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

### **3.6 Team Managers, Officers and Staff**

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

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

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

## **Section 4: Monitoring and Review**

### **4.1 Annual Review of the Risk Strategy**

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

### **4.2 Monitoring of the Strategy and Register**

As part of the risk and opportunities management process it is expected that Leadership risks are reviewed on a monthly basis via CLT and operational risks reviewed as part of DMT meetings.

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

### **4.3 Internal Audit**

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

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

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

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

## **4.4 External Audit and Review**

### **External Audit**

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

### **Review Agencies and Inspectorates**

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

## **Section 5: Corporate Governance**

### **5.1 Annual Governance Statement**

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

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

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

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

## 5.2 Statements of Assurance

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

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

## Section 6: Contacts and Further Guidance

### 6.1 Contacts

Michael Furness – S151 Officer / Assistant Director of Finance  
[Michael.Furness@cherwell-dc.gov.uk](mailto:Michael.Furness@cherwell-dc.gov.uk)

Celia Prado-Teeling – Interim Assistant Director – Customer Focus  
[Celia.Prado-Teeling@cherwell-dc.gov.uk](mailto:Celia.Prado-Teeling@cherwell-dc.gov.uk)  
Telephone: 01295 221556

### 6.2 Supporting Documents / Guidance

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

1. A quick guide to risk management – a three page summary of the council's approach to risk
2. New risk assessment template – a two page template that takes you through the process of assessing a new risk or fully reviewing an existing risk

## Cherwell District Council

### Accounts Audit and Risk Committee

26 July 2023

#### Annual Report of the Chief Internal Auditor 2022/23

This report is public

#### Purpose of report

This is the annual report of the Chief Internal Auditor, summarising the outcome of the Internal Audit work in 2022/23, and providing an opinion on the Council's System of Internal Control.

#### 1. Recommendations

The meeting is recommended to:

- 1.1 Consider and endorse this annual report.

#### 2. Introduction

- 2.1 This is the annual report of the Chief Internal Auditor, summarising the outcome of the Internal Audit work in 2022/23, and providing an opinion on the Council's System of Internal Control. The opinion is one of the sources of assurance for the Annual Governance Statement.
- 2.2 The basis for the opinion is set out in paragraphs 3.18 – 3.28, followed by the overall opinion for 2022/23 which is that there is **satisfactory** assurance regarding Cherwell District Council's overall control environment and the arrangements for governance, risk management and control.

#### 3. Report Details

##### Background

- 3.1 The Accounts and Audit Regulations 2015 require the Council to maintain an adequate and effective Internal Audit Service in accordance with proper internal audit practices. The Public Sector Internal Audit Standards 2017 (PSIAS), which sets out proper practice for Internal Audit, requires the Chief Internal Auditor (CIA) to provide an annual report to those charged with

governance, which should include an opinion on the overall adequacies and effectiveness of the internal control environment, comprising risk management, control and governance.

- 3.2 Our Internal Audit service conforms to the PSIAS 2017.
- 3.3 The Accounts and Audit Regulations 2015 require the Annual Governance Statement (AGS) to be published at the same time as the Statement of Accounts is submitted for audit and public inspection. In order for the Annual Governance Statement to be informed by the CIA's annual report on the system of internal control, this CIA annual report has been produced for the May Accounts, Audit & Risk Committee meeting. This is the full and final CIA annual report.

### **Responsibilities**

- 3.4 It is a management responsibility to develop and maintain the internal control framework and to ensure compliance. It is the responsibility of Internal Audit to form an independent opinion on the adequacy of the system of internal control.
- 3.5 The role of Internal Audit is to provide management with an objective assessment of whether systems and controls are working properly (financial and non-financial). It is a key part of the Authority's internal control system because it measures and evaluates the adequacy and effectiveness of other controls so that:
- The Council can establish the extent to which they can rely on the whole system; and,
  - Individual managers can establish how reliable the systems and controls for which they are responsible are.

### **Internal Control Environment**

- 3.6 The PSIAS require that the internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.
- 3.7 The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:
- Achievement of the organisation's strategic objectives;
  - Reliability and integrity of financial and operational information;
  - Effectiveness and efficiency of operations and programmes;
  - Safeguarding of assets; and
  - Compliance with laws, regulations, policies, procedures and contracts.

- 3.8 In order to form an opinion on the overall adequacy and effectiveness of the control environment the internal audit activity is planned to provide coverage of financial controls, through review of the key financial systems, and internal controls through a range of operational activity both within Directorates and cross cutting, including a review of risk management and governance arrangements. The Chief Internal Auditor's annual statement on the System of Internal Control is considered by the Corporate Oversight and Governance Group when preparing the Council's Annual Governance Statement.

### **The Audit Methodology**

- 3.9 The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). The annual self-assessment against the standards is completed by the Chief Internal Auditor. It is a requirement of the PSIAS for an external assessment of internal audit to be completed at least every five years. Our next external assessment is booked for October 2023, the results will be reported back to the Accounts, Audit & Risk Committee.
- 3.10 The Internal Audit Strategy and Annual Plan for 2022/23 was presented to the May 2022 Accounts, Audit & Risk Committee. The Committee then received quarterly progress reports from the Chief Internal Auditor, including summaries of the audit findings and conclusions.
- 3.11 The Internal Audit Plan, which is subject to continuous review, identified the individual audit assignments. The activity was undertaken using a systematic risk-based approach. Terms of reference were prepared that outlined the objectives and scope for each audit. The work was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence in forming an overall opinion on the adequacy and effectiveness of the internal control framework.
- 3.12 Internal Audit reports provide an overall conclusion on the system of internal control using one of the following ratings:
- |       |   |
|-------|---|
| GREEN | There is a strong system of internal control in place and risks are being effectively managed.  |
| AMBER | There is generally a good system of internal control in place and the majority of risks are being effectively managed. However, some action is required to improve controls.                          |
| RED   | The system of internal control is weak and risks are not being effectively managed. The system is open to the risk of significant error or abuse. Significant action is required to improve controls. |
- 3.13 In appendix 1 to this report there is a list of all completed audits for the year showing the overall conclusion at the time audit report was issued, and the current status of management actions against each audit, (based on information provided by the responsible officers).
- 3.14 To provide quality assurance over the audit output, audit assignments are allocated to staff according to their skills and experience. Each auditor has a

designated Audit Manager or Chief Internal Auditor to perform quality reviews at four stages of the audit assignment: the terms of reference, file review, draft report and final report stages.

### **The Audit Team**

- 3.15 During 2022/23 the Internal Audit Service was delivered by the Oxfordshire County Council in-house team, supported with the specialist area of IT audit, providing the audit service to Cherwell District Council under a service level agreement.
- 3.16 Throughout the year the Accounts, Audit & Risk Committee were kept informed of staffing issues and the impact on the delivery of the Plan.
- 3.17 It is a requirement to notify the Accounts, Audit & Risk Committee of any conflicts of interest that may exist in discharging the internal audit activity. There are none to report for 2022/23.

### **Opinion on System of Internal Control**

#### **Basis of the Audit Opinion**

- 3.18 The 2022/23 Cherwell District Council revised plan has been completed.
- 3.19 The completed internal audit activity and the monitoring of audit actions through the action tracker system enable the Chief Internal Auditor (CIA) to provide an objective assessment of whether systems and controls are working properly. In addition to the completed internal audit work, the CIA also uses evidence from other audit activity, including counter-fraud activity, and attendance on working groups e.g., Corporate Oversight and Governance Group.
- 3.20 In giving an audit opinion, it should be noted that assurance can never be absolute; however, the scope of the audit activity undertaken by the Internal Audit Service is sufficient for reasonable assurance, to be placed on our work.
- 3.21 A summary of the work undertaken during the year, forming the basis of the audit opinion on the control environment, is shown in Appendix 1.
- 3.22 The overall opinion for each audit, highlighted in Appendix 1, is the opinion at the time the report was issued. The internal audit reports contain management action plans where areas for improvement have been identified, which the Internal Audit Team monitors the implementation of by obtaining positive assurance on the status of the actions from the officers responsible. The status of those actions is also highlighted in appendix 1, for each audit. Reports on outstanding actions have been routinely reported to Corporate Directors during 2022/23. The Chief Internal Auditor's opinion set out below takes into account the implementation of management actions.



- 3.23 The Anti-fraud and corruption strategy remains current and relevant. In 2022/23 the Accounts, Audit and Risk Committee have been updated on reported instances of potential fraud. Most of these are minor in nature. Work has been undertaken to address the control weaknesses identified in each area identified to reduce the possibility or reoccurrence.
- 3.24 Internal Audit/Counter Fraud manage the National Fraud Initiative data matching exercise which is completed once every two years. Key matches are investigated, and results are reported to the Accounts, Audit and Risk Committee in the quarterly updates.
- 3.25 It should be noted that it is not internal audit's responsibility to operate the system of internal control; that is the responsibility of management. Furthermore, it is management's responsibility to determine whether to accept and implement recommendations made by internal audit or, alternatively, to recognise and accept risks resulting from not taking action. If the latter option is taken by management, the Chief Internal Auditor would bring this to the attention of the Accounts, Audit and Risk Committee.
- 3.26 The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.
- 3.27 In arriving at our opinion, we have taken into account:
- The results of all audits undertaken as part of the 2022/23 audit plan;
  - The results of follow up action taken in respect of previous audits;
  - Whether or not any priority 1 actions have not been accepted by management - of which there have been none;  
(Priority 1 = Major issue or exposure to a significant risk that requires immediate action or the attention of Senior Management. Priority 2 = Significant issue that requires prompt action and improvement by the local manager)
  - The effects of any material changes in the Council's objectives or activities;
  - Whether or not any limitations have been placed on the scope of Internal Audit – of which there have been none.
  - Corporate Lead Assurance Statements on the key control processes, that are co-ordinated by the Corporate Governance Assurance Group (of which the Chief Internal Auditor is a member of the group), in preparation of the Annual Governance Statement.

### **Chief Internal Auditors Annual Opinion**

In my opinion, for the 12 months ended 31 March 2023, there is **satisfactory** assurance regarding Cherwell District Council's overall control environment and the arrangements for governance, risk management and control.

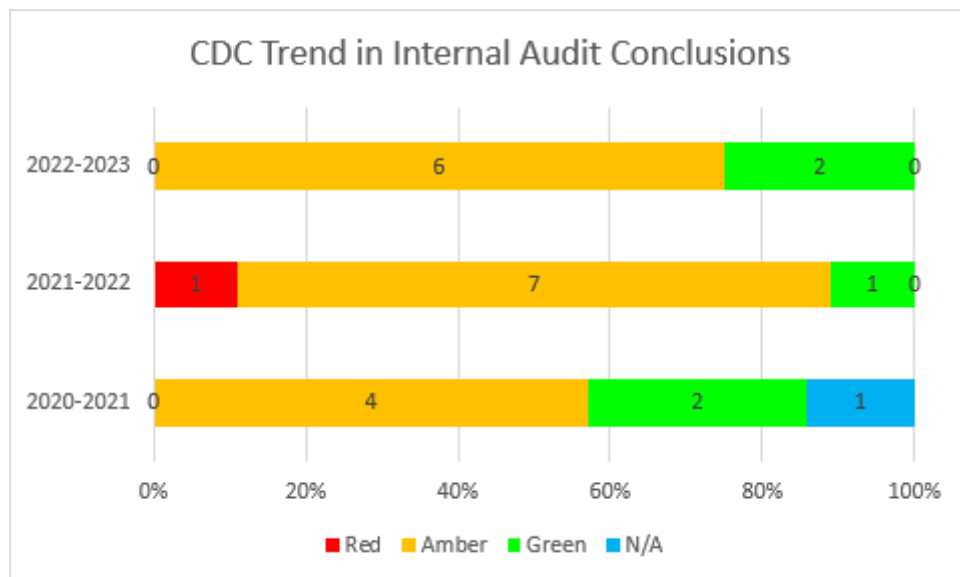
Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective action and timescale for improvement.

This opinion will feed into the Annual Governance Statement which will be published alongside the Annual Statement of Accounts.

The Internal Audit service conforms to the Public Sector Internal Audit Standards (2017)

See Appendix 2 for definitions of overall assurance opinion.

3.28 The following table shows the percentage trend in individual audit conclusions. It is pleasing to note the positive position, with no red graded reports issued for 2022/23.



#### **Audits completed since last report to Accounts, Audit & Risk Committee**

3.29 The outcomes of the audits, including a summary of the key findings are reported quarterly to the Accounts, Audit and Risk Committee. The summaries of the audits completed since the last report (January 2023) are attached as appendix 3;

- Capital Programme
- Contract Management

#### **Internal Audit Performance**

3.30 The following table shows the performance targets agreed by the Accounts, Audit and Risk Committee and the actual 2022/23 performance.

- 3.31 Performance in achieving the target dates for each audit assignment has been impacted upon due to several resourcing issues within the year. This is an area we will continue to focus on. However where target dates have been missed this is for 1 or 2 audits and has overrun by a small timeframe.
- 3.32 We are pleased to report the continued improvement with the implementation of management actions, with the majority implemented or not yet due. Our customer satisfaction questionnaires continue to provide positive feedback.

<b>Measure</b>	<b>Target</b>	<b>Actual Performance 2022/23 – as at 26/04/2023</b>
Elapsed time between start of the audit (opening meeting) and the Exit Meeting	Target date agreed for each assignment by the Audit Manager, no more than three times the total audit assignment days	88% of the audits met this target. (1 audit did not meet the target)  For 2021/22 – we reported 67% For 2020/21 – we reported 78%
Elapsed time for completion of the audit work (exit meeting) to issue of draft report	15 Days	75% of the audits met this target. (2 audits did not meet the target, both exceeded the target by 1-2 weeks).  For 2021/22 – we reported 100% For 2020/21 – we reported 100%
Elapsed time between receipt of the management response to draft report and issue of the final report.  (Previously measured as issue of draft report to issue of final report – PI changed for 22/23)	10 Days	100% of the audits met this target.  For 2021/22 – we reported 56% For 2020/21 – we reported 88%
% of Internal Audit planned activity delivered	100% of the audit plan by end of April 2023.	88% of the plan has been fully completed by the end of April 2023. The remainder (1 audit) was completed in May 2023.  For 21/22 – we reported 73% of the plan fully completed by the end of April 2021.  For 20/21 – we reported 91% of the plan fully completed by the end of April 2021.
% of agreed management actions implemented within the agreed timescales	90% of agreed management actions implemented	<i>As at 26/04/2023 - actions being monitored on the system:</i>

		<ul style="list-style-type: none"> <li>• 85% implemented</li> <li>• 9% not yet due</li> <li>• 5% partially implemented.</li> <li>• 1% overdue</li> </ul>
<i>Customer satisfaction questionnaire (Audit Assignments)</i>	<i>Average score &lt; 2</i> <i>1 - Good</i> <i>2 – Satisfactory</i> <i>3 – Unsatisfactory in some areas</i> <i>4 – Poor</i>	<i>Average score was 1.2</i> <i>2021/22 1.1</i>

#### **4. Conclusion and Reasons for Recommendations**

4.1 This report summarises the work of internal audit for 2022/23 and provides the annual audit opinion.

#### **5. Consultation**

5.1 None.

#### **6. 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. 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](mailto:michael.furness@cherwell-dc.gov.uk)

##### **Legal Implications**

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

Comments checked by:  
Shiraz Sheikh, Monitoring Officer & Assistant Director Law & Governance  
[shiraz.sheikh@cherwell-dc.gov.uk](mailto:shiraz.sheikh@cherwell-dc.gov.uk)

### **Risk Implications**

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

Comments checked by:  
Celia Prado-Teeling, Performance & Insight Team Leader, 01295 221556  
[Celia.prado-teeling@cherwell-dc.gov.uk](mailto: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, Performance & Insight Team Leader, 01295 221556  
[Celia.prado-teeling@cherwell-dc.gov.uk](mailto:Celia.prado-teeling@cherwell-dc.gov.uk)

### **Sustainability Implications**

- 7.5 There are no sustainability implications arising directly from this report.

Comments checked by:  
Jo Miskin, Climate Action Manager, 01295 221748,  
[jo.miskin@cherwell-dc.gov.uk](mailto:jo.miskin@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 wards are affected

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

All corporate plan themes.

### **Lead Councillor**

Councillor Adam Nell – Portfolio holder for Finance.

## **Document Information**

### **Appendix number and title**

- Appendix 1 - Progress with completion of 2022/23 Internal Audit Plan
- Appendix 2 - Annual Assurance Opinion Definitions
- Appendix 3 - Executive Summaries of audits finalised since last update to AARC.

### **Background papers**

None

### **Report Author and contact details**

Sarah Cox, Chief Internal Auditor, [sarah.cox@oxfordshire.gov.uk](mailto:sarah.cox@oxfordshire.gov.uk)

## APPENDIX 1: 2022/23 CDC Internal Audit Plan

Audit	Status	Conclusion	No of Mgmt Actions Agreed	Reported implementation status as at 26/04/2023
Revenues and Benefits	Final Report	Green	6	6 Implemented. All actions are priority 2.
Capital Programme	Final Report	Amber	2	2 Not Due. All actions are priority 2.
Contract Management	Final Report	Amber	4	4 Not due. All actions are priority 2.
Housing – Temporary Accommodation	Final Report	Green	4	3 Implemented, 1 Partially Implemented. All actions are priority 2.
Health and Safety	Final Report	Amber	20	10 Implemented, 10 Partially Implemented. 1 action is priority 1, 19 actions are priority 2.
IT Disaster Recovery	Final Report	Amber	5	5 Implemented. All actions are priority 2.
IT Cyber Security – Ransomware	Final Report	Amber	14	14 Implemented. 2 actions are priority 1, 12 actions are priority 2.
IT Infrastructure Management	Final Report	Amber	5	5 Implemented. 1 action is priority 1, 4 actions are priority 2.
Grants – Disabled Facilities Grant	Certified	-	-	-
Grants – Protect and Vaccinate	Certified	-	-	-
Grants - COMF (Contain Outbreak Management Fund)	Certified	-	-	-
Grants - Test & Trace Support Payment Scheme	Certified	-	-	-
Grants – Biodiversity Net Gain	Certified	-	-	-

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## APPENDIX 2:

### Overall annual opinion – definitions based upon framework recommended by Institute of Internal Auditors.

#### **Substantial**

*There is a sound framework of control operating effectively to mitigate key risks, which is contributing to the achievement of business objectives.*

- no individual audit engagement graded as “red” or significant “amber”
- occasional medium risk rated weaknesses identified in individual audit engagements although mainly only low/efficiency weaknesses
- internal audit has confidence in managements attitude to resolving identified issues.

#### **Satisfactory**

*The control framework is adequate and controls to mitigate key risks are generally operating effectively, although a number of controls need to improve to ensure business objectives are met.*

- medium risk rated weaknesses identified in individual audit engagements
- isolated high risk rated weaknesses identified for isolated issues
- no critical risk rated weaknesses were identified
- internal audit is broadly satisfied with management’s approach to resolving identified issues.

#### **Limited**

*The control framework is not operating effectively to mitigate key risks. A number of key controls are absent or are not being applied to meet business objectives.*

- significant number of medium and/or critical risk rated weaknesses identified in individual audit engagements
- isolated critical and/or high risk rated weaknesses identified that are not systemic
- internal audit has concerns about managements approach to resolving identified issues.

#### **No Assurance**

*A control framework is not in place to mitigate key risks. The organisation is exposed to abuse, significant error or loss and/or misappropriation. Objectives are unlikely to be met.*

- serious systemic control weaknesses identified through aggregation of individual audit engagements
- significant number of critical and/or high risk rated weaknesses identified for isolated issues
- internal audit has serious concerns about managements approach to resolving identified issues.

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## APPENDIX 3: Executive Summaries of audits finalised since last update to AARC (January 2023)

### Capital Programme 22/23

Overall conclusion on the system of internal control being maintained	A
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Governance Arrangements	A	0	1
Project Management	A	0	1
		0	2

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

This audit has reviewed capital governance arrangements and the way in which capital projects and programmes are managed across the Council. It is noted that both governance arrangements and project management are currently in the process of being reviewed by senior management with consideration being given to how processes and approaches can be standardised and enhanced.

It is noted that changes have been made to processes for the consideration of capital bids and decision making in relation to inclusion in the capital programme over the past couple of budget setting cycles. The Strategic Place Shaping Board's role in both the budget setting process in relation to review of projects for inclusion in the capital programme and in the oversight of capital projects and programmes within its remit has been reviewed and refined with further discussions ongoing in relation to the way in which this Board will operate going forward.

**Governance Arrangements** – The audit identified that there is no consistent, documented approach to capital governance. Currently, whilst all capital projects are reviewed and agreed annually as part of the budget setting process, following on from that there are three governance routes for the ongoing monitoring of individual capital projects and programmes. IT capital projects are overseen by the IT,

Customer and Digital Programme Board, place shaping and high-profile capital projects are overseen by the Strategic Place Shaping Programme Board and all other capital projects should be monitored by the relevant DLT. There is also oversight of individual projects and programmes via the monthly budget monitoring process, although this is finance focussed (and therefore may not always cover non-financial project issues relating to timing or project scope). There is a lack of documented guidance for staff on expectations in relation to capital governance including their roles and responsibilities, how the different governance routes oversee capital projects and when project issues should be escalated. Whilst the arrangements in place for projects overseen by the IT and Place Shaping Boards is clearer, the majority of projects are currently overseen at DLT level where there is an increased risk of inconsistencies in approach and practice.

It is acknowledged that a more consistent approach is required to ensure that all capital projects and programmes have sufficient oversight and to ensure all those involved in the running of capital projects and programmes are clear on governance and reporting expectations.

**Project Management** – It was noted that there is no corporate approach to project management and therefore no consistent way of structuring the progression and monitoring of projects through key stages and milestones to ensure projects deliver to time, cost, scope. There is defined project management approach in place for projects overseen by the IT, Customer and Digital Transformation Programme Board which follows the PRINCE 2 methodology and for projects overseen by the Strategic Place Shaping Programme Board, there is a defined gateway process in place. However, the arrangements and approaches for reporting into the board in relation to specific gateways are not defined. There is no defined project management approach for projects overseen by DLTs.

All capital projects and programmes are reviewed monthly as part of routine budget monitoring, this provides an opportunity to review project costs against budget and escalate potential areas of concern with senior management. The outputs from routine budget monitoring processes feed into the Finance Capital reporting to the Executive, this reporting includes a small amount of narrative which can provide non-financial updates on capital projects.

Although there is no corporate approach to project management, audit sample testing found that individual project managers had good oversight of their projects, considered risk management at project level, and it was possible to evidence reporting and escalation of issues where necessary. Project reporting on time, cost and quality could be evidenced.

It is acknowledged by senior management that, to ensure consistency of approach and effective project management going forward, a project management framework should be developed and implemented. It was noted that there had been some discussions about this at the Strategic Place Shaping Board some time ago. In addition, the Assistant Director for Customer Focus had also noted this as an area for development and is in the process of recruiting to a post who will have responsibility for the development and embedding of a corporate project management approach going forward.

## Contract Management 2023/23

Overall conclusion on the system of internal control being maintained
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A
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Contract Governance	A	0	2
Management Information & Performance Reporting	A	0	1
Risk Identification & Management	G	0	1
Contract Payments	G	0	0
		0	4

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

Following the decoupling from Oxfordshire County Council, work is being undertaken within Cherwell District Council to review and enhance procurement and contract management processes and expertise. It is anticipated that this work will improve the control environment in relation to contract management activity across the council. The audit reviewed a sample of four active contracts to provide assurance over the contract management and monitoring activity taking place. These ranged from £628k to £24.5m in lifetime value. The audit identified that contract management arrangements are generally working well at service level and noted some improvements to further strengthen governance and controls, in conjunction with the work already in progress.

### **Contract Governance**

The audit noted that work has been undertaken to establish a contracts register which has recently been published on the Council intranet. The Contract Procedure Rules have been updated and communicated to staff and guidance on procurement and contract management has been reviewed and refreshed. Training is in the process of being developed to highlight and reinforce revised processes which should enhance effective contract management across the Council. From review of

the contract register provided, there has been work to confirm each contract manager and this continues to be addressed to provide an up-to-date listing as part of the contracts register. A Procurement & Contracts Group has been established which will be attended by the relevant key officers to provide strategic oversight of procurement and contract management activity.

For the four contracts reviewed the audit established that for three of the contracts, meetings with contractors were found to be taking place on a regular basis to monitor performance with actions recorded and followed up on as necessary. It was noted for the remaining contract that there has been an absence of contract management activity however this had already been identified prior to the audit and is in the process of being rectified with an Assistant Director leading on this with oversight from Corporate Leadership Team (CLT).

Historically, there was no corporate process or defined responsibility for the review of long-term contracts. The audit reviewed two long term contracts with contract terms of 18 and 25 years respectively where no review points were evident. Whilst there had been no formal review of these contracts over this period the audit did note that there have been recent amendments to the contracts. The audit was able to confirm the approving officer for these changes however was not able to identify formal documented governance around this decision making.

There is now a revised process in place for the agreement of new contracts. The Procurement & Contracts Group now has oversight of and approves all new contracts, areas presented for review include the contract term and review points, and there are standard terms and conditions which should be used for most contracts and which cover set contract review points. Contract changes are also now overseen and are approved by the Procurement & Contracts Group.

### **Management Information and Performance Reporting**

Review of the four contracts found that all included either Key Performance Indicators (KPI's) or expected service standards to enable monitoring of contract performance. There was evidence of regular review / reporting of this information with the exception of the one contract as referenced above where there was a lack of contract monitoring in place, this had already been identified and is being addressed. We noted for one of the contracts, management information requirements had been agreed some time ago and would now benefit from a review to ensure that reporting is appropriate and provides the correct information to manage contract performance.

### **Risk Identification and Management**

The risk management activity in place for each contract reviewed was found to be proportionate with contract managers able to discuss and evidence how risks are managed for that particular contract. It was evident from review of contract meeting minutes that issues and concerns are discussed and escalated as appropriate. The audit was not able to evidence from the four contracts reviewed that formal on-going supplier due diligence was being undertaken, or where responsibility for this should sit. The Interim Procurement Manager noted that this is an area which is being developed.

## Contract Payments

For the sample of contracts reviewed, budget monitoring was found to be taking place on a regular basis with variances reported and monitored appropriately. Review of a small sample of payments to contractors confirmed that payments have been made on a timely basis, with the exception of one annual contract payment which was not paid as promptly as expected, however the audit did not note this as significant. Deductions for performance and availability issues, and recharges to partners within the audit sample were noted to be made on a timely basis.

### Definition of Internal Audit RAG opinions:

Grading:	G	A	R
<b>Overall conclusion on</b> the system of internal control being maintained	There is a strong system of internal control in place and risks are being effectively managed. Some minor action may be required to improve controls.	There is generally a good system of internal control in place and the majority of risks are being effectively managed. However some action is required to improve controls.	The system of internal control is weak and risks are not being effectively managed. The system is open to the risk of significant error or abuse. Significant action is required to improve controls.

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## **Cherwell District Council**

### **Accounts Audit and Risk Committee**

**26 July 2023**

#### **Internal Audit Strategy and Plan 2023/24**

#### **Report of the Assistant Director of Finance & S151 Officer**

This report is public

### **Purpose of report**

The report presents the Internal Audit Strategy and Plan for 2023/24.

#### **1.0 Recommendations**

The meeting is recommended to:

- 1.1 note and comment on the Internal Audit Strategy and Plan for 2023/24.

#### **2.0 Introduction**

2.1 This report presents the Internal Audit Strategy and Internal Audit Plan for 2023/24. A separate plan for Counter-Fraud activity will be presented to the July 2023 Committee.

2.2 Appendix 3 sets out the annual Internal Audit plan for 2023/24.

2.3 The key focus of audit activity during the year includes

- Financial Management
- Directorate Strategic Risks
- Contracts
- IT and Information Governance
- 

#### **3.0 Report Details**

##### **Background**

3.1 The Accounts and Audit Regulations 2015 state that the Council needs to maintain an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with the proper

internal audit practices; these are defined as the Public Sector Internal Auditing Standards 2013, updated March 2017.

- 3.2 The Public Sector Internal Auditing Standards defines “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”
- 3.3 The Chief Internal Auditor is required to provide an annual report on the System of Internal Control which is used to inform the Council’s Annual Governance Statement. In providing this opinion Internal Audit (IA) is required to review annually the financial management, risk management and governance processes operating within the Council. This includes reviewing internal control systems for key processes on a risk basis.
- 3.4 The Internal Audit Annual Plan is drafted and presented at the start of each financial year, however, will evolve and needs to be dynamic and subject to amendments / responsive to organisational change and resulting emerging risks during the year. The operational impacts, new control environment, any changes in governance arrangements, resulting from events such as the pandemic, need to be assessed and internal audit resources targeted across immediate priority areas for the organisation.

### **Audit Planning Methodology**

- 3.5 The Internal Audit Plan is developed to consider the corporate vision and priorities of Cherwell District Council, the Leadership Team’s priorities and management’s assessment of risk as set out in the strategic risk register. The audit plan includes cross referencing to those priorities and risks.
- 3.6 IA also use its own risk assessment against each activity assessing their significance, sensitivity and materiality – ranking each activity as high, medium or low priority for inclusion within the Internal Audit Plan.
- 3.7 Audit planning is undertaken in accordance with Cherwell District Council’s Internal Audit Charter and Public Sector Internal Audit Standards.
- 3.8 As part of the annual planning process the Chief Internal Auditor meets with members of the Leadership Team and other Senior Managers. This provides crucial insight and intelligence into the strategic and operational priorities of the organisation. Quarterly meetings with senior management are attended to ensure the plan is kept under continuous review. The plan is also reviewed quarterly with reference to the risk registers and presented to the Accounts, Audit and Risk Committee for consideration and comment. This ongoing review and insight enables the audit plan to be flexible to meet any changing assurance needs and risks of the organisation.

- 3.9 Our aim is to align our work with other assurance providers, including the External Auditors.
- 3.10 The Chief Internal Auditor continues to attend the Counties Chief Auditor Network (National Group) and also the Midland Counties and Districts Chief Internal Auditors Group to enable networking and to share good practice. This contributes to the internal audit planning activity.
- 3.11 The Accounts, Audit & Risk Committee will receive a quarterly report, including a status update on the approved work plans, and a summary of the outcomes of completed audits.

### **Internal Audit Resourcing**

- 3.12 It was decided at the 25 April 2022 meeting of the Joint Shared Services and Personnel Committee that Oxfordshire County Council would continue to provide both Internal Audit and Counter Fraud Services to Cherwell District Council under a new Service Level Agreement. This arrangement is subject to annual review.
- 3.13 The 2023/24 internal audit structure is included in Appendix 1. The Accounts, Audit & Risk Committee are regularly updated regarding the Internal Audit resourcing position.
- 3.14 There continues to be a national challenge with the recruitment of good quality internal audit staff, particularly at a Senior Auditor level. Internal Audit continues with the approach of “growing our own” and recruited a new internal audit apprentice in October 2022. The previous internal audit apprentice has been successfully appointed to an Auditor post, reflecting excellent progress and development.
- 3.15 The planned chargeable days available to CDC in 2023/24 = 200 (this is the same as 2022/23). This includes days spent directly on audit assignments and also days spent on non-audit assignment work, for example audit planning, committee and senior management team meeting attendance, follow up of agreed management actions, production of the annual report.

### **Counter-Fraud**

- 3.16 Internal Audit have the responsibility for Counter-Fraud. The Counter Fraud Strategy and Plan for 2023/24 will be presented to the July Accounts, Audit & Risk Committee.

### **Quality & Performance**

- 3.17 Internal Audit operates in conformance with the Public Sector Internal Audit Standards. IA promote excellence and quality through the audit process adopted, application of the Quality Assurance Improvement Programme and training and development. During 2023/24 one member of staff will be supported to complete the Certified Internal Audit Qualification. We also have

two current apprenticeship posts within the team – one Counter Fraud and one for Internal Audit.

- 3.18 A number of ways are used to monitor performance, respond to feedback and seek opportunities to improve. Evidence of the quality of audits is gained through feedback from auditees and the results of supervision and quality assurance undertaken as part of the audit process.
- 3.19 During 2023/24 we will be subject to an external assessment against Public Sector Internal Audit Standards. This is recommended practice every 5 years. The results of the external assessment will be reported to the Accounts, Audit & Risk Committee.
- 3.20 The performance indicators for 2023/24 are attached as appendix 2 to this report.

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

- 4.1 This report summarises the audit planning methodology, resourcing and strategy for delivery of the internal audit function for 2023/224. It presents the internal audit plan, progress against which will be reported back to the committee on a quarterly basis.

## **5.0 Consultation**

- 5.1 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: 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](mailto:michael.furness@cherwell-dc.gov.uk)

## **Legal Implications**

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

Comments checked by:

Shiraz Sheikh, Monitoring Officer & Assistant Director – Law & Governance  
[shiraz.sheikh@cherwell-dc.gov.uk](mailto:shiraz.sheikh@cherwell-dc.gov.uk)

## **Risk Implications**

- 7.3 There are no risk management issues arising directly from this report. Any arising risks 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, Performance & Insight Team Leader, 01295 221556  
[Celia.prado-teeling@cherwell-dc.gov.uk](mailto: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, Performance & Insight Team Leader, 01295 221556  
[Celia.prado-teeling@cherwell-dc.gov.uk](mailto:Celia.prado-teeling@cherwell-dc.gov.uk)

## **Sustainability Implications**

- 7.5 There are no sustainability implications arising directly from this report.

Comments checked by:

Jo Miskin, Climate Action Manager, 01295 221748,  
[jo.miskin@cherwell-dc.gov.uk](mailto:jo.miskin@cherwell-dc.gov.uk)

## **8. Decision Information**

**Key Decision** N/A

**Financial Threshold Met:** N/A

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

### **Wards Affected**

All wards are affected

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

All corporate plan themes.

## **Lead Councillor**

Councillor Adam Nell – Portfolio Holder for Finance.

## **Document Information**

### **Appendix number and title**

- Appendix 1 - Internal Audit Structure Chart 2023/24
- Appendix 2 - Internal Audit Performance Indicators 2023/24
- Appendix 3 - Internal Audit Plan 2023/24

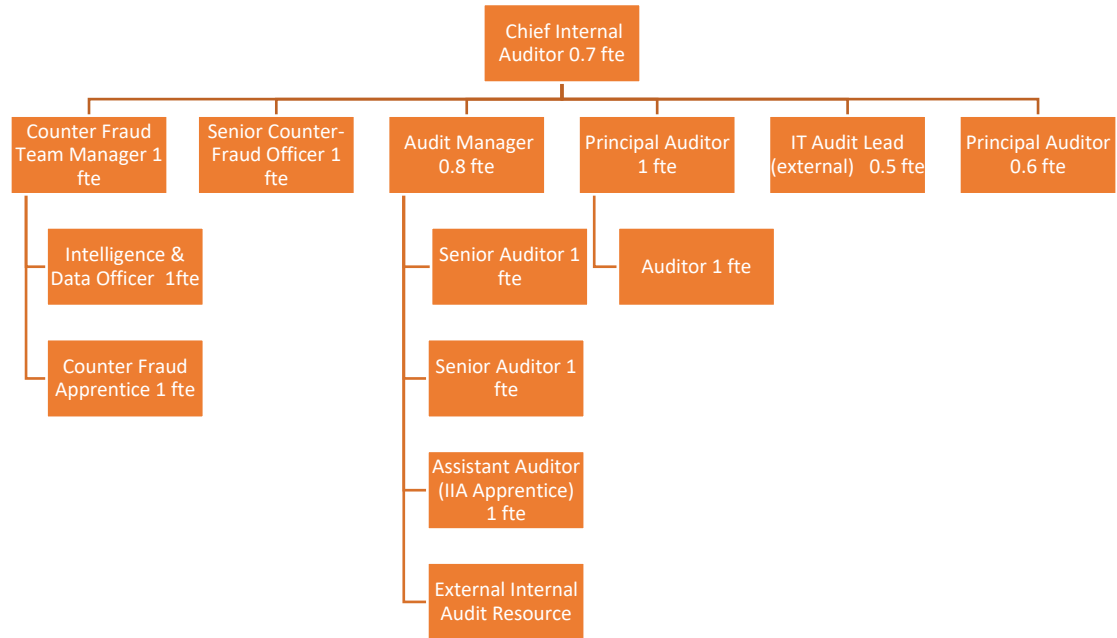
### **Background papers**

None

### **Report Author and contact details**

Sarah Cox, Chief Internal Auditor, [sarah.cox@oxfordshire.gov.uk](mailto:sarah.cox@oxfordshire.gov.uk)

# APPENDIX 1: Internal Audit and Counter Fraud Team Structure 2023/24



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## APPENDIX 2: PERFORMANCE INDICATORS 2023/24

	<b>Performance Measure</b>	<b>Target</b>	<b>Frequency of reporting</b>	<b>Method</b>
1	Elapsed time between start of the audit (opening meeting) and the Exit Meeting	Target date agreed for each assignment by the CIA, no more than three times the total audit assignment days	Quarterly report to AAR Committee.	Internal Audit Performance Monitoring System
2	Elapsed time for completion of the audit work (exit meeting) to issue of draft report	15 Days	Quarterly report to AAR Committee.	Internal Audit Performance Monitoring System
3	Elapsed time between receipt of management responses and the issue of the final report	10 Days	Quarterly report to AAR Committee.	Internal Audit Performance Monitoring System
4	% of Internal Audit planned activity delivered	100% of the audit plan by end of April 2022.	Annual Report to AAR Committee.	Internal Audit Performance Monitoring System
5	% of agreed management actions implemented within the agreed timescales	90% of agreed management actions implemented	Quarterly Report to AAR Committee.	Action Management Tracking System
6	Customer satisfaction questionnaire (Audit Assignments)	Average score < 2 (1= Good, 2 = Satisfactory, 3 = Unsatisfactory, 4 = Poor)	Quarterly Report to AAR Committee	Questionnaire

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### APPENDIX 3: CDC Internal Audit Plan 2023/24

Audit	Scope	Audit Needs Assessment	Link to Corporate Plan / Leadership Risk Register
Strategic Contract Governance	The audit will provide assurance over the strategy, governance and internal control arrangements in place for the procurement and management of contracts. (This follows on from the work completed during 22/23 Q4 which reviewed the operational contract management arrangements across a sample of services).	H	<p><i>Corporate Plan – Delivery Theme: Continuous improvement - Make the best use of our resources and focus on improvement, innovation and staff development to maintain and enhance services.</i></p> <p><i>Leadership Risk Register: L01: Financial Resilience</i></p> <p><i>L02: L11 Financial Sustainability of 3<sup>rd</sup> party suppliers.</i></p>
Utilities Management	The audit will provide assurance over the operational processes and internal controls for the management of utilities expenditure and income.	M	<p><i>Corporate Plan – Delivery Theme: Continuous improvement - Make the best use of our resources and focus on improvement, innovation and staff development to maintain and enhance services.</i></p> <p><i>Climate Action – Continue to transform our own estate to deliver our carbon neutral commitments.</i></p> <p><i>Leadership Risk Register: L01: Financial Resilience</i></p>
Payroll	The audit will provide assurance over the key control processes to ensure that payments are accurate, timely and paid to legitimate	M	<p><i>Corporate Plan – Delivery Theme: Continuous</i></p>

	employees only. The scope and timing of the audit will be determined once operational arrangements for the provision of the payroll function are confirmed.		improvement - Make the best use of our resources and focus on improvement, innovation and staff development to maintain and enhance services.
Community Development Projects	The audit will provide assurance over the governance and the processes in place for the distribution of funding to support community development projects and partners.	M	<i>Corporate Plan – Delivery Theme:</i> Continuous improvement - Make the best use of our resources and focus on improvement, innovation and staff development to maintain and enhance services.
Climate	One of the Council’s key strategic priorities is to “support environmental sustainability”, which includes the commitment to become carbon neutral by 2030. The audit will provide assurance on the council’s response and actions in place to address climate change risks.	H	<i>Corporate Plan – Aims:</i> <i>Supporting Environmental Sustainability.</i>  <i>Delivery Theme:</i> Climate Action: Support residents and local businesses to reduce their carbon emissions. Continue to transform our own estate to deliver our carbon neutral commitments. <i>Leadership Risk Register:</i>
Business Continuity	All critical services have been identified and there are documented and agreed plans to continue delivering these services while responding to a major incident. The audit will provide assurance over the processes in place for testing and maintenance of business continuity plans.	M	<i>Corporate Plan – Delivery Theme:</i> Continuous improvement - Make the best use of our resources and focus on improvement, innovation and staff development to maintain and enhance services. <i>Leadership Risk Register: L04: Business Continuity</i>

			<i>L015: Covid 19 – Business Continuity</i>
IT - Revenues and Benefits IT Application Review	A new cloud-based Revenues and Benefits application has been implemented. The audit will review the management and IT security controls over the application.	M	<i>Corporate Plan – Delivery Theme: Continuous improvement - Make the best use of our resources and focus on improvement, innovation and staff development to maintain and enhance services.</i>
IT – IT Governance	New IT governance arrangements are being put in place following the decoupling of the service from Oxfordshire County Council. The audit will review the structure and governance arrangements for IT Services, ensuring they are fit for purpose and support organisational goals and objectives.	M	<i>Corporate Plan – Delivery Theme: Continuous improvement - Make the best use of our resources and focus on improvement, innovation and staff development to maintain and enhance services.</i>
Grant Certification	There are requests made throughout the year for Chief Internal Auditor sign off, of grant certifications. For 23/24 this includes: <ul style="list-style-type: none"> <li>• Disabled Facilities Grant</li> </ul>	Mandatory	<i>Chief Internal Auditor sign off – requirement of grant claim conditions.</i>

Other (Chargeable days – non-audit assignment)  
There are days which are not attributed to specific planned audit activity and include:

- Chief Internal Auditor's management days
- Preparation of the audit plan and operational planning
- Reports for the Accounts, Audit & Risk Committee
- Attendance at Leadership Team meetings and regular meetings with Senior Management
- Attendance at the Corporate Oversight and Governance group including contribution to and overview of the Annual Governance Statement
- External Audit liaison
- Follow up on implementation of agreed management actions.
- Annual self-assessment against internal audit standards – In accordance with the requirements of the Public Sector Internal Audit Standards
- Advice and Liaison
- Production of the Chief Internal Auditors' Annual Report
- Development of data matching / analytics
- Contribution to change management programmes
- Admin support for actual audit work

## **Cherwell District Council**

### **Accounts, Audit & Risk Committee**

**26 July 2023**

#### **Internal Audit Charter**

#### **Report of Assistant Director of Finance**

This report is public

### **Purpose of report**

This report presents the Internal Audit Charter and Internal Audit Quality Assurance Programme for 2023/24.

#### **1.0 Recommendations**

The meeting is recommended to:

- 1.1 Approve the Internal Audit Charter.
- 1.2 Note the Quality Assurance and Improvement Programme.

#### **2.0 Introduction**

- 2.1 This report presents both the Internal Audit Charter and the Quality Assurance and Improvement Programme for 2023/24. These are subject to annual review.

#### **3.0 Report Details**

##### **Internal Audit Charter**

- 3.1 The Public Sector Internal Audit Standards (PSIAS) came into force on 1 April 2013. (Updated 1 April 2017). These Internal Audit standards to apply across the whole public sector. The PSIAS requires that an Internal Audit Charter is in place for each local authority. The Cherwell District Council Internal Audit Charter is included within Appendix 1.
- 3.2 The Charter sets out the purpose, authority and responsibility of the Internal Audit function, in accordance with the PSIAS. The Charter establishes the position of Internal Audit within the organisation, access and reporting requirements. It also outlines the key responsibilities of the Accounts, Audit & Risk Committee.

- 3.3 This Internal Audit Charter is subject to approval by the Accounts, Audit & Risk Committee of Cherwell District Council on an annual basis, in line with PSIAS requirements. There have been no material changes made since the Charter was last approved by the Committee in July 2022.

### **Quality Assurance Improvement Programme (QAIP)**

- 3.4 The PSIAS require that the internal audit activity maintain a Quality Assurance and Improvement Programme (QAIP). This is included within Appendix 2.
- 3.5 The Chief Internal Auditor is required to communicate to senior management and the Accounts, Audit & Risk Committee on the internal audit activity's quality assurance and improvement programme, including results of ongoing monitoring at least annually, internal assessments upon completion and external assessments conducted at least every five years. The QAIP details what will be reported to the Accounts, Audit & Risk Committee and the frequency.
- 3.6 A change to the QAIP has been made since the once last presented to the July 2022 Accounts, Audit & Risk Committee. For 2023/24 it includes opportunities for improvement within the internal audit activity. Implementation of these improvements will be reported back to the Accounts, Audit & Risk Committee.

### **PSIAS – Self Assessment / External Assessment Update**

- 3.7 Internal Audit received a CIPFA external assessment against the Public Sector Internal Audit Standards (PSIAS) during November 2017. The assessment outcome was very positive with only a small number of minor improvements to documentation required and an overall conclusion that the service is highly regarded.
- 3.8 There is a requirement for an annual self-assessment against PSIAS to be completed (with external assessment scheduled every 5 years). The self-assessment was last completed during June 2022, and it was reported to the Accounts, Audit & Risk Committee in July 2022, that Internal Audit continues to comply in full, with the standards.
- 3.9 Internal Audit have now scheduled an PSIAS external assessment of our service. This will be undertaken by CIPFA in October 2023. The results will be reported to the January 2024 Accounts, Audit & Risk Committee. In preparation for the external assessment we are completing our annual self-assessment against PSIAS during July and August this year.

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

- 4.1 This report presents the Internal Audit Charter to the Accounts, Audit & Risk Committee which is requirement of PSIAS.

## **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: 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](mailto:michael.furness@cherwell-dc.gov.uk)

### **Legal Implications**

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

Comments checked by:

Shiraz Sheikh, Monitoring Officer & Assistant Director Law & Governance,  
[shiraz.sheikh@cherwell-dc.gov.uk](mailto:shiraz.sheikh@cherwell-dc.gov.uk)

### **Risk Implications**

There are no risk management issues arising directly from this report. Any arising risks 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, Performance & Insight Team Leader, 01295 221556  
[Celia.prado-teeling@cherwell-dc.gov.uk](mailto:Celia.prado-teeling@cherwell-dc.gov.uk)

### **Equalities and Inclusion Implications**

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

Comments checked by:

Celia Prado-Teeling, Performance & Insight Team Leader, 01295 221556  
[Celia.prado-teeling@cherwell-dc.gov.uk](mailto:Celia.prado-teeling@cherwell-dc.gov.uk)

### **Sustainability Implications**

There are no sustainability implications arising directly from this report.

Comments checked by:

Jo Miskin, Climate Action Manager, 01295 221748,  
[jo.miskin@cherwell-dc.gov.uk](mailto:jo.miskin@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 wards are affected

### Links to Corporate Plan and Policy Framework

All corporate plan themes.

### Lead Councillor

Councillor Adam Nell – Portfolio Holder &- Finance

## Document Information

### Appendix number and title

- Appendix 1 - Internal Audit Charter 2023/24
- Appendix 2 - Internal Audit Quality Assurance and Improvement Programme 2023/24

### Background papers

None

### Report Author and contact details

Sarah Cox, Chief Internal Auditor, [sarah.cox@cherwell-dc.gov.uk](mailto:sarah.cox@cherwell-dc.gov.uk)

## APPENDIX 1:

# **Cherwell District Council Internal Audit Charter**

## **Introduction**

The Public Sector Internal Audit Standards (PSIAS) came into force on 1 April 2013. (Updated 1 April 2017). These are the first Internal Audit standards to apply across the whole public sector. The PSIAS requires that an Internal Audit Charter is in place for each local authority.

The Standards form part of the wider mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) which includes the mission, core principles, definition of Internal Audit and Code of Ethics which define the way in which Internal Audit should be established and undertake its functions

This Charter sets out the purpose, authority and responsibility of Cherwell District Council's Internal Audit function, in accordance with the PSIAS and additional requirements for Local Government which are published via the Chartered Institute of Public Finance and Accountancy (CIPFA)

This Internal Audit Charter has been drawn up in line with the PSIAS requirements and replaces all previous Internal Audit Terms of Reference.

This Internal Audit Charter is subject to approval by the Accounts, Audit and Risk Committee of Cherwell District Council on an annual basis, in line with PSIAS requirements.

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## **Definition of Internal Audit**

Internal Audit has adopted the PSIAS definition of internal auditing as follows:

*"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisations operation. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".*

## ***Mission of Internal Audit***

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

## ***Core Principles***

To achieve Internal Audit's mission the following core principles for the professional practice of Internal Auditing are present and applied by Internal Audit:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of Cherwell District Council.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

## ***Code of Ethics***

The Internal Audit function for Cherwell District Council has adopted the PSIAS Code of Ethics:

### Integrity

- The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement

### Objectivity

- Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

### Confidentiality

- Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal obligation to do so.

## Competency

- Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Internal Audit will also have a regard to the Committee on Standards of Public Life's Seven Principles of Public Life as contained within Cherwell District Councils Constitution and Officer's Code of Conduct

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

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## **Statutory Requirement**

Section 151 of the Local Government Act 1972 requires that authorities "make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs." In Cherwell District Council, that officer is the Assistant Director of Finance.

Specific requirements are detailed in the Accounts and Audit Regulations 2015, in that a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Any officer or member of a relevant body must, if the body requires:

- a. make available such documents and records as appear to that body to be necessary for the purposes of the audit; and
- b. supply the body with such information and explanation as that body considers necessary for that purpose.

In accordance with these regulations, internal audit staff should have access to any financial or non-financial records maintained by the council, or its partners in delivering council services, that are relevant to the audit activity being performed.

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## **Definition of the Chief Audit Executive (CAE)**

Chief Audit Executive describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. Within Cherwell District Council the Chief Internal Auditor is the designated 'Chief Audit Executive'

---

## **Definition of the Board**

The PSIAS lays out the role of a Board in relation to specific standards. In a local authority the role of the Board may be satisfied by an Audit Committee. In Cherwell District Council the Accounts, Audit and Risk Committee, for the purposes of the key duties laid out in the PSIAS, is the Board.

The key duties of the Board (Accounts, Audit and Risk Committee) as laid out in the PSIAS are as follows:

- Approve the Internal Audit charter
- Receive the risk based Internal Audit plan including the Internal Audit resource plan
- Receive communications from the Chief Internal Auditor on internal audit's performance relative to its plan and other matters
- Receive an annual confirmation from the Chief Internal Auditor with regard to the organisational independence of the internal audit activity
- Receive the results of the Quality Assurance and Improvement Programme from the Chief Internal Auditor.
- Make appropriate enquiries of the management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations.

---

## **Definition of Senior Management**

The PSIAS anticipates the role of Senior Management includes the following:

- Input to the risk based Internal Audit plan
- Receive periodic reports from the Chief Internal Auditor on internal audit activity, that includes follow up reports
- Receive the results of the Quality Assurance and Improvement Programme from the Chief Internal Auditor

Within Cherwell District Council 'Senior Management' is defined as CLT (Corporate Leadership Team), including the S151 and Monitoring Officer.

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## **Professionalism**

The Internal Audit function for Cherwell District Council will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Internal Audit function for Cherwell District Council maintains an Audit Procedures Manual which is consistent with PSIAS requirements. These procedures are applied for all audit engagements.

---

## **Authority**

The Internal Audit function for Cherwell District Council, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are required to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to, and communicate and interact directly with, the Accounts, Audit and Risk Committee.

---

## **Organisation**

The Chief Internal Auditor will report functionally to the Accounts, Audit and Risk Committee, for example approving the charter and internal audit plan, and administratively to the Assistant Director of Finance, such as approving the internal audit budget.

The Chief Internal Auditor will communicate and interact directly with the Accounts, Audit and Risk Committee, including in executive sessions and between meetings as appropriate.

---

## **Independence and objectivity**

The internal audit function within Cherwell District Council will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited within Cherwell District Council. Accordingly, they will not

implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal Audit will ensure through the planning and resourcing process that any potential conflicts of interest are recognised and addressed through internal audit staff not undertaking an audit for at least two years in an area where they have had previous operational roles and/or undertaken consulting activity and that responsibilities for audit assignments are rotated periodically within the internal audit team.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments. Internal auditors will disclose any impairment of independence or objectivity, in fact or appearance, to the appropriate parties.

The Chief Internal Auditor will confirm to the Accounts, Audit and Risk Committee, at least annually, the organisational independence of the internal audit activity.

The Chief Internal Auditor will disclose to the Accounts, Audit and Risk Committee any interference and related implications in determining the scope of internal auditing, performing work, and communicating results.

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## **Responsibility- Scope & Objectives**

Internal audit is an assurance service that provides an independent and objective opinion to the council on the entire control environment comprising risk management, performance, control and governance by evaluating the effectiveness in achieving the organisation's objectives. Internal Audit objectively examine, evaluate and report on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

Internal Audit is accountable to the Assistant Director of Finance (Section 151 Officer) for the terms of reference, scope and coverage of its audit activities. In addition there is a responsibility to those charged with corporate governance being the council (through the Accounts, Audit and Risk Committee) and the Head of Paid Service to give an annual opinion on the whole system of internal control and to support the Monitoring Officer in respect of matters of standards/ legality.

The council's external auditor relies on Internal Audit to undertake a continuous programme of audits of key corporate controls. Also, due priority needs to be given to the key strategic risks of the council including the requirements of the Section 151 Officer. Audit work is included to ensure an opinion can be given on the whole of the control environment. These priorities constitute most of the Annual Plan the balance being risks identified by Internal Audit. The Chief Internal Auditor collates an annual report on the effectiveness of the council's internal control environment.



Internal audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the organisation. It may also evaluate specific operations at the request of the Accounts, Audit and Risk Committee or management, as appropriate.

Based on its activity, Internal audit is responsible for reporting significant risk exposures and control issues identified to the Accounts, Audit and Risk Committee and to Senior Management, including fraud risks, governance issues, and other matters needed or requested.

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## **Internal audit plan**

At least annually, the Chief Internal Auditor will submit to the Accounts, Audit and Risk Committee an internal audit plan for review and approval. The Chief Internal Auditor will communicate the impact of resource limitations and significant interim changes to senior management and the Accounts, Audit and Risk Committee.

The internal audit plan will be developed using a risk-based methodology, including input of senior management, including the Chief Executive, Assistant Director of Finance, Corporate Directors and Assistant Directors. It will be developed in accordance with the Internal Audit Charter and will link to the strategic objectives and priorities of Cherwell District Council. Prior to submission to the Accounts, Audit and Risk Committee for approval, the plan may be discussed with appropriate senior management. Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.

The audit plan is dynamic in nature and will be reviewed and realigned on a regular basis to take account of new, emerging and changing risks and priorities. It will be based on a risk assessment that covers financial materiality and business risks as well as any suspected or detected fraud, corruption or impropriety that has come to the attention of the Chief Internal Auditor.

Internal Audit will consult with the Council's external auditor and with other relevant inspection/assurance and review bodies, as required, in order to co-ordinate effort, ensure adequate coverage and minimise any duplication.

As part of the planning process, the Chief Internal Auditor will identify other potential sources of assurance and will include in the risk-based plan the approach to using other sources of assurance and any work required to place reliance upon those other sources.

For each audit assignment, Internal Auditors will develop and document a plan including the objectives of the review, the scope, and timing and resource allocations. In planning the assignment, auditors will consider, in conjunction with the auditees, the objectives of the activity being reviewed, significant risks to the activity and the adequacy and effectiveness of the activity's governance, risk management and control processes.

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## **Reporting and monitoring**

A written report will be prepared and issued by the Chief Internal Auditor or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Accounts, Audit and Risk Committee. The internal audit report will include an opinion on the adequacy of controls in the area that has been audited.

The draft report will be discussed with the auditees and management actions agreed for the weaknesses identified, along with timescales for implementation. The final report will be issued to the relevant Assistant Director, Assistant Director of Finance and other officers in line with directorate protocols.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and monitoring and reporting on the implementation of management actions.

---

## **Arrangements for appropriate resourcing**

Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to the standards. All Internal Auditors will hold a professional qualification or be training towards a professional qualification.

In the event that the risk assessment, carried out to prepare the annual plan, identifies a need for more audit work than there are resources available, the Chief Internal Auditor will identify the shortfall and advise the Assistant Director of Finance followed by the Accounts, Audit and Risk Committee as required to assess the associated risks or to recommend additional resources are identified.

The audit plan will remain flexible to address unplanned work including responding to specific control issues highlighted by senior management during the year.

Internal audit work is prioritised according to risk, through the judgement of the Chief Internal Auditor, informed by the Council's risk registers and in consultation with senior management and External Audit.

All internal auditors have a personal responsibility to undertake a programme of continuing professional development (CPD) to maintain and develop their competence. This is fulfilled through the requirements set by professional bodies and through the Council's appraisal and development programme.

## **Fraud and Corruption**

In administering its responsibilities, the Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to an effective Anti-Fraud and Corruption culture, Internal Audit fully considers the risk of fraud and corruption when undertaking its activities by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities.

The Council's Anti-Fraud and Corruption Strategy sets out responsibilities in this area.

Internal Audit – Counter Fraud Team within Cherwell District Council is responsible for developing and implementing the Anti-Fraud and Corruption Strategy and monitoring the investigation of any reported issues. To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this strategy and that action is identified to improve controls and reduce the risk of recurrence. Internal Audit - Counter Fraud Team maintains the fraud log for Cherwell District Council. Internal Audit – Counter Fraud Team undertakes investigations into potential financial irregularities. In some circumstances this may be delegated to the service itself following an assessment of risk and financial impact.

Internal Audit – Counter Fraud Team also facilitates Cherwell District Council's participation in the National Fraud Initiative (NFI) in which data from the Council's main systems are matched with data supplied from other Local Authorities and external agencies to detect potentially fraudulent activity.

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## **Definition of Assurance Services**

The PSIAS defines assurance services as follows: *"An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation."*

Internal Audit provide this assurance across all parts of the Council reviewing the Council's "control environment" comprising risk management, control and governance, this enables the Chief Internal Auditor to provide an annual opinion on the effectiveness of these arrangements. This opinion supports the Council's Annual Governance Statement.

## **Definition of Consulting Services**

The PSIAS defines consulting services as follows: *“Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation’s governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.”*

The PSIAS requires that approval must be sought from the Accounts, Audit and Risk Committee for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement.

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## **Quality assurance and improvement programme**

The internal audit activity will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity and evaluates the activity’s conformance with the Standards and application of the Code of Ethics. As such, the programme assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Chief Internal Auditor will communicate to senior management and the Accounts, Audit and Risk Committee on the internal audit activity’s quality assurance and improvement programme, including results of ongoing monitoring at least annually, internal assessments upon completion and external assessments conducted at least every five years. Disclosure will include:

- The scope and frequency of both internal and external assessments.
- The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
- Conclusions of assessors.
- Corrective action plans.

The results of the quality assurance and improvement programme and progress against any improvement plans must also be included in the annual report.

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### **Signed by:**

Sarah Cox, Chief Internal Auditor  
Michael Furness, Assistant Director of Finance  
Councillor Lynn Pratt, Chair of the Accounts, Audit and Risk Committee

Date approved: 26 July 2023 – Accounts, Audit and Risk Committee  
Date of next review: July 2024

## **Internal Audit - Quality Assurance and Improvement Programme**

### **Introduction**

Internal Audit's Quality Assurance and Improvement Program (QAIP) is designed to provide reasonable assurance to the various stakeholders of Cherwell District Council Internal Audit function that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics.
- Operates in an efficient and effective manner.
- Is adding value and continually improving the service it provides.
- The Chief Internal Auditor is ultimately responsible for maintaining the QAIP, which covers all types of Internal Audit activities. The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments must be undertaken at least once every five years.

### **Internal Assessments**

Internal Assessment is made up of both ongoing reviews and periodic reviews.

#### **Ongoing Reviews**

Ongoing assessments are conducted through:

- Supervision of audit engagements
- Regular, documented review of work papers during engagements by appropriate Internal Audit staff
- Applying relevant audit policies and procedures, including those set out in the Internal Audit Manual, to ensure applicable audit planning, fieldwork and reporting quality standards are met
- Review of all audit reports and agreed management actions by the Chief Internal Auditor prior to formal circulation.
- Feedback from Customer Satisfaction Questionnaires (CSQs) on individual audit assignments
- Established key performance indicators (KPIs) designed to improve Internal Audit's effectiveness and efficiency. These are signed off each year by the Accounts, Audit & Risk Committee.

- In assigning audit work to an individual auditor consideration is given to their level of skills, experience and competence and an appropriate level of supervision exercised
- Feedback from CSQs, performance against KPIs and reviews of working papers and audit reports will form part of the discussion during regular meetings / 121 discussions.

### Periodic Reviews

Periodic assessments are designed to assess conformance with Internal Audit's Charter, the Standards, Definition of Internal Auditing, the Code of Ethics, and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. Periodic assessments will be conducted through:

- Chief Internal Auditor / Audit Manager file reviews to ensure performance in accordance with Internal Audit's Quality Procedures Manual.
- Review of internal audit Key Performance Indicators by the Chief Internal Auditor on a monthly basis, including elapsed time between start of audit and exit meeting, elapsed time between exit meeting and issue of draft report, elapsed time between issue of draft report and issue of final report, % of planned activity completed and % of management actions implemented.
- Quarterly activity and performance reporting to the Accounts, Audit & Risk Committee and Section 151 officer.
- Annual self-review of conformance with the Public Sector Internal Audit Standards. Any resultant action plans will be monitored by the Chief Internal Auditor on a quarterly basis.
- Independent annual review of the effectiveness of Internal Audit by the Council's Monitoring Officer, with results reported to and reviewed by the Accounts, Audit & Risk Committee.

## **External Assessment**

External assessments will appraise and express an opinion about Internal Audit's conformance with the Standards, Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

An external assessment will be conducted every 5 years by a qualified, independent assessor from outside the Council. The assessment will be in the form of a full external assessment, or a self-assessment with independent external validation. The format of the external assessment will be discussed with the Accounts, Audit & Risk Committee.

## **Reporting**

Internal Assessments – Quarterly activity and performance reporting to the Accounts, Audit & Risk Committee and Section 151 officer.

External Assessments – results of external assessments will be reported to the Accounts, Audit & Risk Committee and Section 151 officer at the earliest opportunity following receipt of the external assessor’s report. The external assessment report will be accompanied by a written action plan in response to significant findings and recommendations contained in the report.

Follow Up - the Chief Internal Auditor will implement appropriate follow-up actions to ensure that action plans developed are implemented in a reasonable timeframe.

## Opportunities for improvement – 2023/24

Opportunity for improvement	Lead Officer	Target Date
<p><b>Data analytics</b> - to be embedded into the Internal Audit and Counter Fraud assurance activities.</p> <p>This will include the development of a documented Data Analytics Strategy.</p> <p>The Counter Fraud Intelligence &amp; Data Officer’s job role has already been redefined to assist with the implementation of data analytics across the Internal Audit &amp; Counter Fraud Service. The team’s digital maturity will be assessed and any gaps addressed / there will be a continued focus on improved awareness and application across the team.</p>	<p>Sarah Cox, Chief Internal Auditor / Katherine Kitashima, Audit Manager.</p> <p>Nick Stokes, Intelligence &amp; Data Officer to support</p>	<p>Data Analytics Strategy for Internal Audit and Counter Fraud in place by 01/09/23.</p> <p>Improvements to assurance activities embedded throughout 2023/24.</p>
<p><b>Practice standards</b> – we will implement a programme of briefings / training with the team covering PSIAS and key internal audit practice themes. (For example engagement planning, conflicts of interest, code of ethics, risk scanning).</p>	<p>Sarah Cox, Chief Internal Auditor / Katherine Kitashima, Audit Manager.</p>	<p>Quarterly, commencing Summer 2023.</p> <p>(Already covered in monthly team meetings – however recognise would be an improvement to formalise training / briefing plan)</p>
<p><b>Data Protection</b> – we will review arrangements for internal audit and counter fraud compliance, including electronic document retention</p>	<p>Sarah Cox, Chief Internal Auditor / Katherine Kitashima, Audit Manager.</p>	<p>01/09/23</p>

and data sharing arrangements.	Emma Vickers, Assistant Auditor to support.	
<b>Management Action Follow Up System</b> – we are required by the current supplier of the software used to monitor the implementation of management actions to upgrade to a new version. We will use this as an opportunity to undertake necessary housekeeping of how directorates are structured / how officers are set up, and to review whether there are any improvements required to our reporting and follow up processes.	Sarah Cox, Chief Internal Auditor / Katherine Kitashima, Audit Manager.  Emma Vickers, Assistant Auditor to support.	New version implemented before 31/03/24.

**Signed by:**

Sarah Cox, Chief Internal Auditor

Michael Furness, Assistant Director of Finance

Date approved: July 2023

Date of next review: July 2024



## **Cherwell District Council**

### **Accounts Audit and Risk Committee**

**26 July 2023**

#### **Update on Counter Fraud Annual Plan 2022/23 and presenting the Counter Fraud Annual Plan 2023/24**

#### **Report of Assistant Director of Finance & S151 Officer**

This report is public

### **Purpose of report**

This report presents a summary of activity against the Annual Plan for the Counter-Fraud service at CDC for 2022/23, which was previously presented to the Accounts, Audit & Risk July 2022 committee. The report also presents the new Counter Fraud Plan for the year 2023/24.

The Plan supports the Council's Anti-Fraud and Corruption Strategy by ensuring that the Council has in place proportionate and effective resources and controls to prevent and detect fraud as well as investigate those matters that do arise.

### **1.0 Recommendations**

The meeting is recommended to:

- 1.1 Comment and note the summary of activity against the Annual Counter Fraud Plan for 2022/23.
- 1.2 Comment and note the Counter Fraud Plan for 2023/24.

### **2.0 Introduction**

- 2.1 The Counter-Fraud team's purpose is to apply and to promote the zero-tolerance approach to fraud detailed in the Council's Fraud Strategy, by thoroughly investigating any instances of fraud; applying the appropriate sanctions; undertaking proactive and preventive work to prevent and detect fraud through training, awareness raising, data matching and proactive reviews.
- 2.2 The Local Government Counter Fraud and Corruption Strategy – Fighting Fraud and Corruption Locally was launched in 2020. The Council's Counter-

Fraud arrangements are focussed on their recommended five pillars of activity:

- **Govern:** Having robust arrangements in place to ensure counter-fraud, bribery and corruption measures are embedded throughout the organisation.
- **Acknowledge:** Understand fraud risk and maintain a robust anti-fraud response.
- **Prevent:** Prevent and detect fraud taking place against the organisation.
- **Pursue:** Carry out fraud investigations, apply sanctions to offenders and recover losses.
- **Protect:** The overarching aim of protecting public funds from fraud and corruption.

2.3. The Council has a Counter-Fraud Strategy which guides the Council's approach to its fraud response. The Strategy states that "the Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to a zero-tolerance approach to fraud, corruption and theft."

2.4 The Counter-Fraud team's purpose is therefore to apply and to promote the zero-tolerance approach to fraud by thoroughly investigating any instances of fraud; applying the appropriate sanctions; undertaking proactive and preventive work to prevent and detect fraud through training, awareness raising, data matching and proactive reviews.

### **3.0 Report Details**

#### **Counter-Fraud Service & Resources Update**

3.1 The Counter Fraud Service is provided by Oxfordshire County Council Internal Audit – Counter Fraud team to Cherwell District Council under a service level agreement. The Counter Fraud team comprises of a Counter Fraud Team Manager, Senior Counter Fraud Officer, Intelligence & Data Officer and a Apprentiship Counter Fraud Officer, who work across both Oxfordshire County Council and Cherwell District Council.

3.2 The Intelligence & Data Officer post in the team successfully completed their Level 4 Apprenticeship in Intelligence Analysis in April 2023. They will now be taking on additional responsibilities in supporting with the development of a data analytics strategy, and improving the use of data analytics in both Counter Fraud and Internal Audit assurance activities.

3.3 Monthly meetings are held between the Chief Internal Auditor and Assistant Director of Finance to monitor the counter fraud activity, and includes discussions on any cases / issues to note.

- 3.4 During 2022/23 there were 82 cases received and logged by Counter-Fraud of actual, suspected or alleged fraud / whistleblowing, of which 27 are still open under investigation. Of the cases closed so far, 30 were not proven and no further action was taken and 25 were proven with appropriate action taken. In total the value of recoveries for the year was £21k and future loss prevented (calculated as 12 months of the benefit that was removed) was £15k. Cases that are still open and under investigation will be reported to the Committee once complete. (These figures will increase as the remaining open cases for 2022/23 are resolved).

**Case Figures for Year 2022/23 (as at end of June 2023):**

<b>Indicator</b>	<b>Value</b>
Number of cases 2022/23	82
Current open cases 2022/23	27 cases currently open from 2022/23
With the Police	There are currently no cases with the Police
2022/23 Cases by type	Council Tax Support (CTS): 21 Employee: 1 Housing Application: 4 Small Business Rates Relief: 2 Single Person Discount (SPD): 25 SPD & CTS: 10 Housing Abandonment: 6 Council Tax: 8 Whistleblowing: 1 COVID Business Grant Fraud: 1 Elections Fraud: 1 Subletting: 2
Cases by referral source	Employee / Internal Control: 21 Anonymous: 48 Member of Public: 9 Government Agency: 3 Other Local Authority: 1
Outcomes (dismissals, prosecutions, repayments, Investigation Reports etc)	Out of the 55 cases closed, 30 were closed not proven/no further action (NFA) and 25 were proven with appropriate action taken. Of these 25 proven, the outcomes were:  CTS recalculated: 2 Both CTS & SPD removed/recalculated: 3 SPD removed/readjusted: 15 House recovered by Housing Association: 3 SBRR removed: 1 Council Tax exemption removed: 1

<p>Recovery and prevented future loss</p> <p>Note:</p> <p>Recovery = the value of council tax or benefit recovered, ie. retrospectively added to council tax bill</p> <p>Future loss prevented = 12 months worth of the discount/benefit</p>	<p>CTS: Recovered = £10,148.26 Future loss prevented = £2,607.31</p> <p>SPD: Recovered = £5,903.35 Future loss prevented = £7,494.46</p> <p>SPD &amp; CTS: Recovered = £806.21 Future loss prevented = 480.22</p> <p>SBRR: Recovered = £4,333.91 Future loss prevented = £2,869.25</p> <p>Council Tax Exemptions: Recovered = £0 Future loss prevented = £1,929.76</p> <p><u>Totals:</u></p> <p>Recovered = £21,191.73 Future loss prevented = £15,381</p>
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**Case Figures for Year 2023/24 (as at end June 2023):**

<b>Indicator</b>	<b>Value</b>
Number of new cases received April – June 2023	13 (of which 1 has been closed)
Current open cases as at end June 2023	41 cases currently open (12 from 2023/24, 27 from 2022/23, 2 from 2021/22)
With the Police	There are currently no cases with the Police
2023/24 Cases by type	SPD: 8 CTS: 2 CTS & SPD: 1 Council Tax Exemption: 1 Housing Abandonment: 1
YTD New Cases by referral source	Other Local Authority: 1 Anonymous: 9 Member of Public: 1 Employee / Internal Control: 2

**Outcomes for Year 2023/24 (as at end of June 2023)**

<b>Type of Outcome</b>	<b>Value</b>
Investigations	<p>Following the investigation of one allegation of Single Person Discount fraud, the discount was removed and backdated. £915 was lost and is expected to be recovered, and £566 has been saved (per annum).</p> <p>Collaboration between Counter-Fraud and Revenues &amp; Benefits continues to be effective, and one 23/24 CTS case is being worked on jointly.</p> <p>The team also continues to develop joint working with other internal teams, and multiple cases were received from the Housing and Licencing teams.</p>
Investigation totals to date (2023/24 cases)	<p>SPD: Lost: £915 Recovered: £915 Future loss prevented: £566</p>
National Fraud Initiative Exercise	<p>45 reports and 761 matches were released in February 2023 and a review is underway. Savings of £34,264 have so far been generated from the following two reports:</p> <p>Waiting List to Housing Benefit Claimants: £12,849 (3 applicants removed from housing waiting list)</p> <p>Waiting List to DWP Deceased: £21,415 (5 applicants removed from housing waiting list)</p> <p>Further details of the progress of the exercise are in Section 7 (below).</p>

## **Cases to Note**

- 3.5 Undeclared Capital:  
Information was received from the Department of Work & Pensions (DWP) in October 2022 that suggested an individual in receipt of Housing Benefit (HB) and Council Tax Support (CTS) may have undeclared capital. Revenues and Benefits carried out a review of both the HB and CTS claims and the Counter Fraud Team (CTF) obtained access to the individual's bank account and bank statements by way of a court production order. The bank statements identified substantial undeclared capital, resulting in a repayment of £21,280 being made to CDC. (£16,054 -HB, £5226 -CTS).

## **National Fraud Initiative**

- 3.6 The National Fraud Initiative (NFI) reports from the 2022/23 bi-annual data matching exercise were released in February 2023 and are in the process of being reviewed. There are a total of 761 matches and 45 reports.
- 3.7 9 reports (339 matches) were related to potential duplicate payments to creditors, or duplicate creditor records. All 9 reports were reviewed collaboratively by officers from the Finance Team and Counter Fraud, with 8 reports reviewed in full and a sample of 63 matches reviewed in the 9<sup>th</sup> report. There were nil duplicate creditor payments found and nil VAT overpayments found, which highlighted strong controls in place within Finance. 1 dormant duplicate creditor record was removed from the system as a preventative measure.
- 3.8 180 matches of the remaining 422 have been processed with no fraud or errors found. This includes reports 'Housing Benefit Claimants to DWP Deceased' and 'Council Tax Reduction Scheme to DWP Deceased', where all identified deaths of claimants were already known to Revenues & Benefits.
- 3.9 The report 'Waiting List to Housing Benefit Claimants' identified 3 housing applicants who had not declared a change in circumstances to the Housing Team. This led to 3 applications being closed and savings of £12,849 generated.
- 3.10 The report 'Waiting List to DWP Deceased' identified a further 5 applicants who had passed away and still had active housing applications. The applications were closed, leading to savings of £21,415.
- 3.11 50 matches have been reviewed and are currently under investigation. These matches are predominantly ones where the Council await responses from other public sector authorities.
- 3.12 The 184 matches remaining are on target to be processed within Quarter 3.

## **Update against the Counter Fraud Plan 2022/23**

<b>Objective</b>	<b>Actions</b>	<b>Update July 2023</b>
<p><b>Strategic:</b> Continue to build the Counter Fraud team to support the Council to prevent and detect fraud and irregularity.</p> <p><b>Culture Capacity Competence</b></p>	<ol style="list-style-type: none"> <li>1. Trial the interim team structure with a view to agreeing a permanent solution</li> <li>2. Recruit a new Counter Fraud Apprentice</li> <li>3. Identify any appropriate training for members of the team.</li> <li>4. Senior CF Officer to undertake CIPFA Accredited Counter Fraud Specialist (ACFS) training.</li> </ol>	<ol style="list-style-type: none"> <li>1. Interim team structure ended and new permanent structure in place.</li> <li>2. New Counter Fraud Apprentice started 17 October 2022 and is undertaking the formal apprenticeship training.</li> <li>3. Training subject to review through extended 1:1 sessions with team.</li> <li>4. Senior CF Officer has completed and passed the ACFS training and is now the Counter Fraud Team Manager in the new structure.</li> </ol>
<p><b>Proactive:</b> Undertake proactive counter-fraud activities to reduce the risk of fraud in the Council.</p> <p><b>Culture Capability Capacity Communication Collaboration</b></p>	<ol style="list-style-type: none"> <li>5. Complete and routinely update the Fraud Risk Register</li> <li>6. Deliver fraud awareness training</li> <li>7. Undertake joint fraud/audit exercises</li> <li>8. Deliver fraud communications in line with a comms strategy</li> <li>9. Maintain fraud procedures, webpages and referral routes up to date (ongoing and by Q4)</li> </ol>	<ol style="list-style-type: none"> <li>5. Fraud Risk Register is business as usual (bi-monthly review meetings)</li> <li>6. Fraud awareness training delivered to Revenues &amp; Benefits staff</li> <li>7. Joint fraud/audit proactive exercises being developed.</li> <li>8. Fraud comms plan regularly reviewed.</li> <li>9. Fraud procedures and referral routes subject to regular review.</li> </ol>
<p><b>Reactive:</b> Manage fraud referrals and investigations</p> <p><b>Capacity Competence Collaboration</b></p>	<ol style="list-style-type: none"> <li>10. Manage fraud referrals</li> <li>11. Investigate</li> <li>12. Implement appropriate sanctions</li> <li>13. Agree and track actions to improve the control environment</li> <li>14. Work with partner agencies and teams.</li> </ol>	<ol style="list-style-type: none"> <li>10&amp;11. Fraud referrals received and investigated ongoing as appropriate.</li> <li>12. Sanctions applied as appropriate (see Case Figures above).</li> <li>13. Actions raised within investigation reports are tracked for completion.</li> <li>14. Joint working and information sharing for fraud investigations has been improved between the council and multiple housing associations. Joint working with DWP now business as usual.</li> </ol>
<p><b>Data:</b> Use data to detect and prevent fraud</p> <p><b>Competence Collaboration</b></p>	<ol style="list-style-type: none"> <li>15. Prepare for and undertake the 2022 NFI data upload (Q2)</li> <li>16. Continue to participate into potential data matching exercise with other LA's.</li> </ol>	<ol style="list-style-type: none"> <li>15. NFI matches for 22/23 are in the process of being reviewed.</li> <li>16. Ongoing work with networks.</li> </ol>

3.13 The 2023/24 Plan is structured around the 5 pillars of anti-fraud activity in the Local Government Counter Fraud and Corruption Strategy – Fighting Fraud and Corruption Locally:

Objective	Actions	Timescale
<p><b>Govern:</b> Have robust arrangements in place to ensure counter-fraud, bribery and corruption measures are embedded throughout the organisation.</p>	<ol style="list-style-type: none"> <li>1) Deliver awareness training sessions to a range of staff and members to include knowledge of fraud risks, their role in prevention activity and process to refer suspicions.</li> <li>2) Provide the Accounts, Audit &amp; Risk Committee with reports during the year about the arrangements in place to protect the council against fraud and the effectiveness of these.</li> <li>3) Review the council's anti-fraud strategy and identify areas for development by reference to the Fighting Fraud and Corruption Locally strategy.</li> </ol>	<ol style="list-style-type: none"> <li>1) Ongoing.</li> <li>2) July, November &amp; March.</li> <li>3) End of quarter 3.</li> </ol>
<p><b>Acknowledge:</b> Understand fraud risk and maintain a robust anti-fraud response.</p>	<ol style="list-style-type: none"> <li>1) Undertake an assessment of the council's overall response to fraud and identify any areas for improvement.</li> <li>2) Continue development of Council's fraud risk register.</li> </ol>	<ol style="list-style-type: none"> <li>1) End of quarter 3.</li> <li>2) End of quarter 3.</li> </ol>
<p><b>Prevent:</b> Prevent and detect fraud taking place against the organisation, using proactive work and data analysis.</p>	<ol style="list-style-type: none"> <li>1) Fraud alerts to be provided to service areas as necessary.</li> <li>2) Delivery of the NFI 2022/2023 exercise.</li> </ol>	<ol style="list-style-type: none"> <li>1) Ongoing.</li> <li>2) End of quarter 3.</li> </ol>



	3)	To enhance data analytic capability in order to identify potential areas of proactive work.	3) Ongoing.
<b>Pursue:</b> Carry out fraud investigations, apply sanctions to offenders and recover losses.	1) 2) 3)	1) Conduct investigations into suspected fraud and malpractice. 2) Continue to work with the Department for Work and Pensions (DWP) Fraud and Compliance teams to counter Council Tax Reduction Scheme (CTRS) fraud. 3) To carry out a risk assessed review of the NFI CT single person discount exercise.	1) Ongoing. 2) Ongoing. 3) End of quarter 3.
<b>Protect:</b> Recognising the harm that fraud can cause in the community.	1) 2) 3)	1) Review and share fraud trends and new threats with relevant service areas. 2) Respond to information requests from the Police, other Local Authorities and investigation bodies such as HMRC. 3) Continue to foster relations with other CDC teams such as Licencing.	1) Ongoing. 2) Ongoing. 3) Ongoing.

## 4.0 Conclusion and Reasons for Recommendations

- 4.1 In conclusion, this paper presents a summary of activity against the Counter Fraud plan for 2022/23 together with a report on the Counter Fraud plan for 2023/24, including case figures to date. For the 2022/23 cases, the team has so far recovered £21,191.73 and achieved a future loss prevented of £15,381.00.
- 4.2 Currently, for the year 2023/24, the Counter Fraud team through NFI data matching has prevented £34,264.00 in future losses. This is assisted through effective joint working with the Revenues and Benefits team as well as Housing and other teams within CDC.

## **5.0 Consultation**

5.1 Not applicable

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

6.1 Not applicable

## **7.0 Implications**

### **Financial and Resource Implications**

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

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845

[michael.furness@cherwell-dc.gov.uk](mailto:michael.furness@cherwell-dc.gov.uk)

### **Legal Implications**

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

Comments checked by:

Shiraz Sheikh, Monitoring Officer & Assistant Director Law & Governance,

[shiraz.sheikh@cherwell-dc.gov.uk](mailto:shiraz.sheikh@cherwell-dc.gov.uk)

### **Risk Implications**

7.3 There are no risk management issues arising directly from this report. Any arising risks 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, Performance & Insight Team Leader, 01295 221556

[Celia.prado-teeling@cherwell-dc.gov.uk](mailto: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, Performance & Insight Team Leader, 01295 221556

[Celia.prado-teeling@cherwell-dc.gov.uk](mailto:Celia.prado-teeling@cherwell-dc.gov.uk)

### **Sustainability Implications**

7.5 There are no sustainability implications arising directly from this report.

Comments checked by:

Jo Miskin, Climate Action Manager, 01295 221748,

[jo.miskin@cherwell-dc.gov.uk](mailto:jo.miskin@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 wards are affected

### Links to Corporate Plan and Policy Framework

All corporate plan themes.

### Lead Councillor

Councillor Adam Nell – Portfolio Holder for Finance

## Document Information

### Appendix Number and Title

- None

### Background Papers

None

### Report Author and contact details

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Sarah Cox, Chief Internal Auditor,

[sarah.cox@oxfordshire.gov.uk](mailto:sarah.cox@oxfordshire.gov.uk)

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## **Cherwell District Council**

### **Accounts, Audit and Risk Committee**

**26 July 2023**

#### **Treasury Management Report – Annual Performance Report 2022/23 (March 2023)**

#### **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.
- 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 2022/23 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 During 2022/23, the Council maintained an under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure, in order to reduce risk and borrowing costs.
- 3.2 The Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%. In anticipation of rapid interest rate rises a decision was taken to borrow £66m in advance of need, over a period of between 5 and 10 years, at an average rate of 2.83% in July 2022, which has provided interest rate certainty for 2023/24 when interest rates are forecast to be at their peak as demonstrated in Table 1 below. This was a prudent approach resulting in sound financial management of the Council's Treasury Management activities, resulting in the Council paying approximately £0.569m per annum less in interest than if it had waited to borrow in 4<sup>th</sup> quarter of 22/23.

Table 1: Link Forecast Rates published on 31<sup>st</sup> March 2023

Interest Rate Forecasts								
Bank Rate	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Link	4.50%	4.50%	4.25%	4.00%	3.50%	3.25%	3.00%	2.75%
Cap Econ	4.50%	4.50%	4.50%	4.25%	4.00%	3.50%	3.00%	-
<b>5Y PWLB RATE</b>								
Link	4.10%	4.10%	3.90%	3.80%	3.70%	3.60%	3.50%	3.40%
Cap Econ	3.90%	3.70%	3.50%	3.40%	3.30%	3.30%	3.20%	-
<b>10Y PWLB RATE</b>								
Link	4.20%	4.20%	4.00%	3.90%	3.80%	3.70%	3.50%	3.50%
Cap Econ	4.00%	3.80%	3.60%	3.50%	3.40%	3.40%	3.30%	-
<b>25Y PWLB RATE</b>								
Link	4.60%	4.50%	4.40%	4.20%	4.10%	4.00%	3.80%	3.70%
Cap Econ	4.40%	4.10%	3.80%	3.80%	3.70%	3.60%	3.60%	-
<b>50Y PWLB RATE</b>								
Link	4.30%	4.20%	4.10%	3.90%	3.80%	3.70%	3.50%	3.50%
Cap Econ	4.20%	4.00%	3.80%	3.70%	3.60%	3.60%	3.50%	-

Note: **Capital Economics** is an independent economic research business based in London to which Link are comparing their forecasts to demonstrate the market view

- 3.3 As at the end of March 2023 the Council had borrowing of £188m and investments of £44m – a net borrowing position of £144m (31/12/22: £127m).
- 3.4 All treasury management activities undertaken during the financial year 2022-23 complied with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy, and all Prudential Indicators were met during, and at the end of, the reporting period (see Table 7 at point 3.11 and Table 12 at point 3.18 below).

### Borrowing performance for year ended 31 March 2023

- 3.5 The Council requires external borrowing to fund its capital programme and had a total debt of £188m 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 88/12 on the 31<sup>st</sup> March 2023.

- 3.6 Table 2 below represents prudential indicator relating to the maturity structure of borrowing. This indicator is set to control the council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be as per Table 2.

Table 2: Maturity structure of borrowing:

Refinancing rate risk indicator	Upper limit	Lower limit	Actual structure
Under 12 months	80%	10%	11.70%
12 months and within 24 months	80%	0%	11.17%
24 months and within 5 years	80%	0%	11.70%
5 years and within 10 years	80%	0%	41.49%
10 years and above	80%	0%	23.94%

- 3.7 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 3 below shows the borrowing position during and at the end of the reporting period. The borrowing amount has decreased as loans have matured and been seamlessly replaced by the borrowing ahead of need that was done in July 22 to secure interest rates. Note that as this has happened the investment balances have also reduced.

Table 3: Borrowing Position for year ended 31 March 2023

	Borrowing Amount £m	Average Interest Rate	Interest Paid Budget £m	Interest Paid Actual £m	Variance to Date £m
Apr 22 - Mar 23	212 (average)	1.64%	2.056	3.347	1.291
As at 31/03/23	188	2.02%	-	-	-

\* Interest payable relates to external loans only, excluding finance lease and other interest

- 3.8 Interest payable for the full year is £1.291m over budget (negative variance). This has been offset by higher than budgeted interest receivable from investing.

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

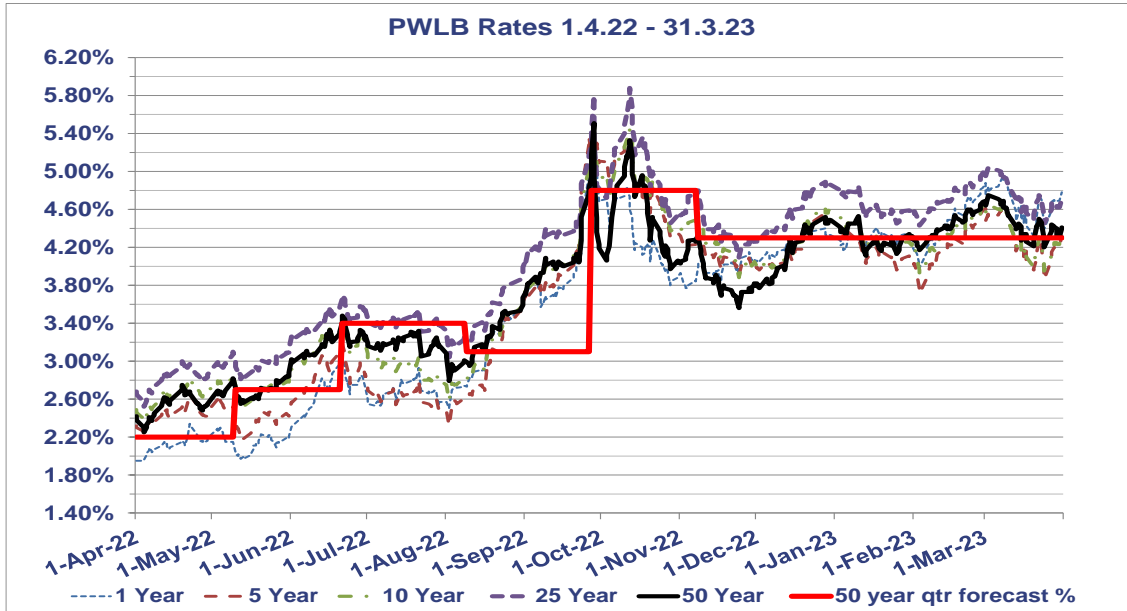
Table 4: High / Low / Average PWLB Rates for 2022/23

	1 Year	5 Year	10 Year	25 Year	50 Year
<b>Low</b>	1.95%	2.18%	2.36%	2.52%	2.25%
<b>Date</b>	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
<b>High</b>	5.11%	5.44%	5.45%	5.88%	5.51%
<b>Date</b>	28/09/2022	28/09/2022	12/10/2022	12/10/2022	28/09/2022
<b>Average</b>	3.57%	3.62%	3.76%	4.07%	3.74%
<b>Spread</b>	3.16%	3.26%	3.09%	3.36%	3.26%

Source: Link

Table 5: PWLB rates graph

This graph demonstrates that the rates at which the PWLB loans were secured at in July 2022, 5 years at 2.67% and 10 years at 2.99%, were well timed.



3.10 A full list of current borrowing at 31 March 2023 is shown in Table 6 below. The remaining short-term borrowing from other Local Authorities will be repaid by November 2023 using the sums borrowed from the PWLB in July 2022, which we currently have invested.

Table 6: Borrowing

Lender	Principal Borrowed £m	Maturity Date
West Midlands Combined Authority	5	13/04/2023
Oxfordshire County Council	5	27/04/2023
Derbyshire County Council	5	16/06/2023
Guildford Borough Council	5	13/07/2023
Craven District Council	2	15/11/2023
PWLB 7-year maturity	21	19/10/2024
PWLB 6-year maturity	6	25/09/2025
PWLB 7-year maturity	6	19/09/2026
PWLB 5-year maturity	10	26/07/2027
PWLB 10-year maturity	10	31/05/2028
PWLB 6-year maturity	5	26/07/2028
PWLB 7-year maturity	10	26/07/2029
PWLB 10-year maturity	6	25/09/2029
PWLB 8-year maturity	10	26/07/2030
PWLB 11-year maturity	6	19/09/2030
PWLB 9-year maturity	16	26/07/2031



PWLB 10-year maturity	15	26/07/2032
PWLB 15-year maturity	5	31/05/2033
<b>Lender</b>	<b>Principal Borrowed £m</b>	<b>Maturity Date</b>
PWLB 15-year maturity	5	25/09/2034
PWLB 16-year maturity	5	19/09/2035
PWLB 30-year maturity	5	31/05/2048
PWLB 50-year maturity	25	10/11/2071
<b>TOTAL</b>	<b>188</b>	

- 3.11 Compliance with the authorised limit and operational boundary for external debt is demonstrated in the table 7 below:

Table 7: Prudential Indicators

	<b>2022/23 Peak Borrowing Position £m</b>	<b>2022/23 Final Borrowing Position £m</b>	<b>2022/23 Operational Boundary</b>	<b>2022/23 Authorised Limit</b>	<b>Complied?</b>
Total debt	274	188	290	310	Yes

### Investment performance for year ended 31 March 2023

- 3.12 Funds available for investment are on a temporary basis as the majority of the balance is earmarked to refinance maturing short-term borrowing. The PWLB loans taken ahead of need have been invested to reduce the cost of carry. The level of funds available to invest is mainly dependent on the timing of precept payments, receipt of grants and funding of the Capital Programme.
- 3.13 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 throughout this financial year. Table 7 below shows the investment position during and at the end of the reporting period. Investments balances, which were inflated by borrowing ahead of need, have reduced as loans have matured and been repaid.

Table 8: Investment Position

	<b>Investment Amount £m</b>	<b>Average Interest Rate</b>	<b>Interest Earned Budget £m</b>	<b>Interest Earned Actual £m</b>	<b>Variance to Date £m</b>
Apr 22 – Mar 23 (average)	76	2.07%	(0.019)	(1.642)	(1.623)
As at 31/03/23	44	3.95%	-	-	-

3.14 As a comparison, Table 9 below shows average money-market rates over the period. The Council achieved average investment rates which was considerably higher than the rates anticipated when the budget was set resulting in more interest earned than budgeted for.

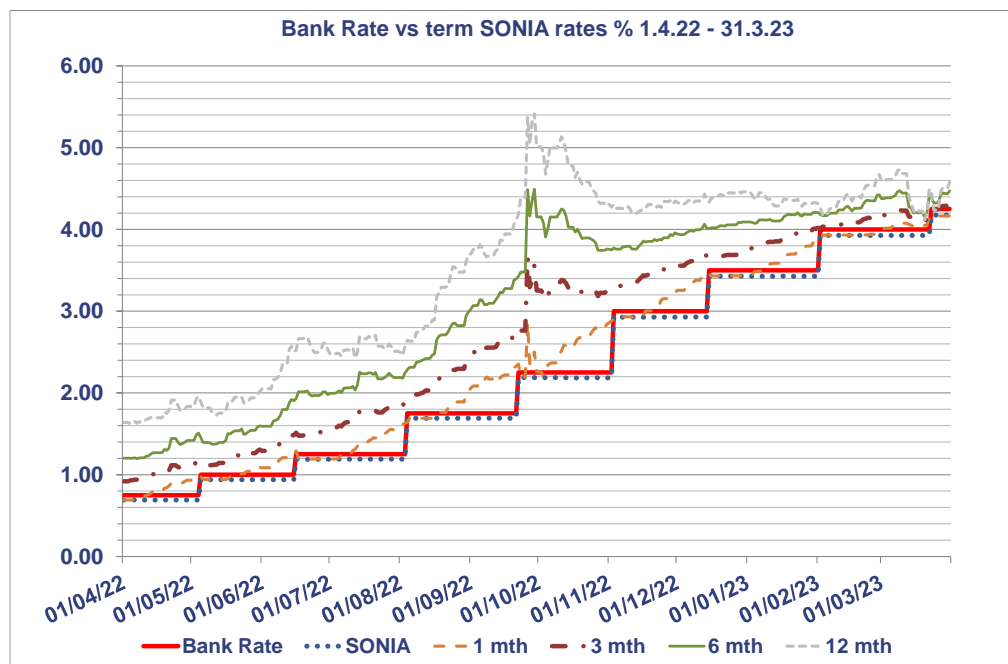
Table 9: Average Investment Rates for the reporting period

FINANCIAL YEAR TO QUARTER ENDED 31/3/2023						
	Bank Rate	SONIA	1 mth	3 mth	6 mth	12 mth
<b>High</b>	4.25	4.18	4.17	4.30	4.49	5.41
<b>High Date</b>	23/03/2023	31/03/2023	31/03/2023	31/03/2023	29/09/2022	29/09/2022
<b>Low</b>	0.75	0.69	0.69	0.92	1.20	1.62
<b>Low Date</b>	01/04/2022	28/04/2022	01/04/2022	01/04/2022	07/04/2022	04/04/2022
<b>Average</b>	2.30	2.24	2.41	2.72	3.11	3.53
<b>Spread</b>	3.50	3.49	3.48	3.38	3.29	3.79

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

Table 10: Investment Benchmarking Data 2022/23

This table demonstrates just how steep the rate of interest increases has been.



3.15 While maintaining a balance between security, liquidity and yield the Council has also been looking for ways to invest sustainably. This must be done within the criteria laid out in the approved Treasury Management Strategy amongst counterparties approved by the Council’s Treasury Advisors, Link.

3.16 The Council has taken the opportunity to invest in Standard Chartered Bank’s sustainable fixed deposit (aligned to the United Nations’ Sustainable Development Goals) and will highlight any future sustainable investments in this report. The Treasury Management Practices (TMP1) address the growing importance of

Environmental, Social and Governance investing and outline the Council strategy on this matter.

3.17 A full list of current investments is shown in Table 11 below:

Table 11: Investments

Counterparty	Principal Deposited £m	Maturity Date / Notice period
<u>Fixed Term Deposits</u>		
Derbyshire County Council	3	03/04/2023
Development bank of Singapore	3	12/04/2023
Derby City Council	3	13/04/2023
National bank of Kuwait (International)	3	20/04/2023
SMBC Bank International Plc	3	20/04/2023
North Northamptonshire Council	5	27/04/2023
Leeds City Council	5	28/04/2023
Standard Chartered Bank	3	09/05/2023
Wakefield Council	2	12/05/2023
Ashford Borough Council	5	18/05/2023
<u>Money Market Funds</u>		
CCLA Investment Management Limited	4.80	Same day
Legal & General Investment Management	3.17	Same day
Northern Trust Asset Managements	0.45	Same day
Federated Investors UK	0.60	Same day
Goldman Sachs Asset Management	0.50	Same day
<b>TOTAL</b>	<b>43.52</b>	

3.18 Compliance with investment limits is demonstrated in Table 12 below:

Table 12: Investment Limits

	2022/23 Limit £m	Complied?
UK Central Government	Unlimited	Yes
Other Local Authorities	5 each	Yes
Any group of organisations under the same ownership	5 per group	Yes
Approved counterparties – Banks and Building Societies	3 each	Yes
Any group of pooled funds under the same management	5 per manager	Yes
Money Market Funds total	15 in total	Yes

## **Non-treasury investment activity**

- 3.19 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.
- 3.20 As of the 31<sup>st</sup> March 2023, 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.
- 3.21 The loan elements of these non-treasury investments generate a higher rate of return than can be earned on treasury investments, but this reflects the additional risks to the Council of holding such investments.
- 3.22 For the year ending 31<sup>st</sup> March 2023 these loans have earned interest of £4.927m, a positive variance of (£0.261m) against budgeted income of £4.666m. The additional interest was as a result of an approved revolving credit facility being utilised.

## **Overall performance**

- 3.23 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.
- 3.24 Interest payable for the full year prior to the change in strategy was forecast to be £0.148m over budget (negative variance) before loans were taken in advance of need to provide interest rate security and lower interest rate costs. The new borrowing strategy has resulted in an overspend of £1.291m (no change from previous reporting period) for the financial year, an increase of £1.143m because of the change in strategy.
- 3.25 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 expected on investments. With the increase in interest rates, as well as investing the surplus funds borrowed from the PWLB, the year end position is now (£1.623m) (positive variance.) This is an increase of (£1.553m) (positive variance) as a result of the change in strategy.
- 3.26 There is an overall positive variance against budget of (£0.591m). This means that the Council has not only recovered the costs involved in providing interest payable certainty, which will benefit the Council greatly in future years, but also benefited from the rapidly rising interest rates by reinvesting loans taken ahead of need.

Table 13: Overall Treasury Position Forecast to Year End

	<b>Full Year Budget £m</b>	<b>Full Year Actual £m</b>	<b>Full Year Variance £m</b>
Borrowing costs	2.056	3.347	1.291
Finance lease and other interest	0.253	0.255	0.002
Treasury income	(0.019)	(1.642)	(1.623)
Non-treasury income	(4.666)	(4.927)	(0.261)
<b>Total cost/(income)</b>	<b>(2.376)</b>	<b>(2.967)</b>	<b>(0.591)</b>

## 4.0 Conclusion and Reasons for Recommendations

- 4.1 This report details the Treasury Performance for the Council for the period ending 31<sup>st</sup> March 2023. 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 this report.

Comments checked by:

Joanne Kaye, Head of Finance (D151)

01295 221545, [joanne.kaye@cherwell-dc.gov.uk](mailto:joanne.kaye@cherwell-dc.gov.uk)

### Legal Implications

- 7.2 The presentation of the Report is required by regulations issued under the Local Government Act 2003 to review the treasury management activities, the actual prudential indicators and the treasury related indicators.

Comments checked by:  
Shiraz Sheikh, Assistant Director Law & Governance | Monitoring Officer  
01295 221651, [shiraz.sheikh@cherwell-dc.gov.uk](mailto:shiraz.sheikh@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. This and any other risks related to this report 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, Performance and Insight Team Leader  
01295 221556, [celia.prado-teeling@cherwell-dc.gov.uk](mailto: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, Performance and Insight Team Leader  
01295 221556, [celia.prado-teeling@cherwell-dc.gov.uk](mailto: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**

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## **Cherwell District Council**

### **Accounts, Audit and Risk Committee**

**26 July 2023**

#### **Treasury Management Report – Q1 2023/24 (June 2023)**

#### **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 2023-24 as required by the Treasury Management Code of Practice.

All treasury management activities undertaken to date during the financial year 2023-24 complied with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy, and all Prudential Indicators were met during the reporting period.

Over the course of the year, there is an overall forecast underspend of £0.376m.

#### **1.0 Recommendations**

The meeting is recommended:

- 1.1 To note the contents of this Treasury Management Report.
- 1.2 To note the strategy for future borrowing requirements at Appendix 1.

#### **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 2023-24 was approved by full Council on 27 February 2023. 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 27 February 2023.

### 3.0 Report Details

#### Summary position and strategy

- 3.1 The Council has continued to pursue its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and borrowing costs.
- 3.2 As at the end of June 2023 the Council had borrowing of £173m and investments of £26m – a net borrowing position of £147m (31/03/23: £144m).
- 3.3 All treasury management activities undertaken to date during the financial year 2023-24 complied with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy, and all Prudential Indicators were met during the reporting period (see Table 4 and Table 5 at point 3.9 and Table 9 at point 3.16 below).

#### Borrowing performance for year ended 31 March 2023

- 3.4 The Council requires external borrowing to fund its capital programme and had a total debt of £173m at the report date. The increased cost of borrowing has resulted in the Council moving from an equal mix of short and long term borrowing to predominantly medium to long term loans from the Public Works Loan Board (PWLB) to provide interest rate certainty.
- 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 1: Borrowing Position for quarter ended 30 June 2023

	<b>Borrowing Amount £m</b>	<b>Average Interest Rate</b>	<b>Interest Paid Budget £m</b>	<b>Interest Paid Actual £m</b>	<b>Variance to Date £m</b>
Apr – Jun 23	176 (average)	2.08%	0.977	0.919	(0.058)
As at 30/06/23	173	2.11%	-	-	-

\* Interest payable relates to external loans only, excluding finance lease and other interest

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

Table 2: High / Low / Average PWLB Rates for Q1 2023/24

FINANCIAL YEAR TO QUARTER ENDED 30/06/2023							
	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
High	5.00	4.93	4.93	4.57	4.38	4.10	3.14
High Date	22/06/2023	30/06/2023	30/06/2023	30/06/2023	30/06/2023	30/06/2023	30/06/2023
Low	4.25	4.18	4.18	4.02	3.81	3.32	2.27
Low Date	03/04/2023	04/04/2023	11/04/2023	03/04/2023	03/04/2023	03/04/2023	03/04/2023
Average	4.44	4.37	4.34	4.27	4.11	3.74	2.70
Spread	0.75	0.75	0.75	0.55	0.57	0.78	0.87

Source: Link

3.7 Interest payable for the full year is forecast to be in line with the budget however this is forecast to be offset by higher than budgeted interest receivable resulting in an overall positive variance.

3.8 A full list of current borrowing at 30 June 2023 is shown below:

Table 3: Borrowing

Lender	Principal Borrowed £m	Maturity Date
Guildford Borough Council	5	13/07/2023
Craven District Council	2	15/11/2023
PWLB 7-year maturity	21	19/10/2024
PWLB 6-year maturity	6	25/09/2025
PWLB 7-year maturity	6	19/09/2026
PWLB 5-year maturity	10	26/07/2027
PWLB 10-year maturity	10	31/05/2028
PWLB 6-year maturity	5	26/07/2028
PWLB 7-year maturity	10	26/07/2029
PWLB 10-year maturity	6	25/09/2029
PWLB 8-year maturity	10	26/07/2030
PWLB 11-year maturity	6	19/09/2030
PWLB 9-year maturity	16	26/07/2031
PWLB 10-year maturity	15	26/07/2032
PWLB 15-year maturity	5	31/05/2033
PWLB 15-year maturity	5	25/09/2034
PWLB 16-year maturity	5	19/09/2035
PWLB 30-year maturity	5	31/05/2048
PWLB 50-year maturity	25	10/11/2071
<b>TOTAL</b>	<b>173</b>	

- 3.9 The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit. Compliance with the authorised limit and operational boundary for external debt is demonstrated in the table below:

Table 4: Operational boundary and Authorised limit for external debt

	<b>2023/24 Operational Boundary £m</b>	<b>2023/24 Authorised Limit £m</b>	<b>Complied?</b>
Total debt	290	310	Yes

- 3.10 The Council monitors its exposure to refinancing risk with the maturity structure of borrowing indicator. While it is important to have flexibility to navigate changing market conditions is it critical that loan repayments are spread appropriately. The lower limit has been considered but kept at zero to ensure that the Council is not forced into taking borrowings in a particular category that would lock us into an unfavourable borrowing situation.

Table 5: Maturity structure of borrowing

Refinancing rate risk indicator	Upper limit	Lower limit	Actual structure
Under 12 months	50%	0%	4.05%
12 months and within 24 months	50%	0%	12.14%
24 months and within 5 years	60%	0%	12.72%
5 years and within 10 years	70%	0%	45.09%
10 years and above	80%	0%	26.00%

### **Investment performance for year ended 30 June 2023**

- 3.11 Funds available for investment are on a temporary basis, and the level of funds available is mainly dependent on the timing of precept payments, receipt of grants and funding of the Capital Programme.
- 3.12 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 throughout this first quarter. Table 6 below shows the investment position during and at the end of the reporting period.

Table 6: Investment Position

	<b>Investment Amount £m</b>	<b>Average Interest Rate</b>	<b>Interest Earned Budget £m</b>	<b>Interest Earned Actual £m</b>	<b>Variance to Date £m</b>
Apr – Jun 23	28 (average)	4.47%	(0.126)	(0.173)	(0.047)
As at 01/03/23	26	4.61%	-	-	-

3.13 As a comparison Table 7 below shows average money-market rates.

Table 7: Average Investment Rates for the reporting period

FINANCIAL YEAR TO QUARTER ENDED 30/6/2023						
	Bank Rate	SONIA	1 mth	3 mth	6 mth	12 mth
High	5.00	4.93	4.94	5.27	5.67	6.06
High Date	22/06/2023	30/06/2023	29/06/2023	30/06/2023	30/06/2023	30/06/2023
Low	4.25	4.18	4.17	4.31	4.46	4.47
Low Date	03/04/2023	04/04/2023	03/04/2023	03/04/2023	06/04/2023	06/04/2023
Average	4.44	4.37	4.46	4.66	4.90	5.08
Spread	0.75	0.75	0.77	0.96	1.21	1.59

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

3.14 While maintaining a balance between security, liquidity and yield the Council is always looking for ways to invest sustainably (or green investments). This must be done within the criteria laid out in the approved Treasury Management Strategy amongst counterparties approved by the Council's Treasury Advisors, Link.

The Council continues to invest in Standard Chartered Bank's sustainable fixed deposit (aligned to the United Nations' Sustainable Development Goals) and Northern Trust Asset Sterling Money Market fund meets the criteria pursuant to Article 8 of the Sustainable Finance Disclosure Regulation (Regulation EU/2019/2088) to qualify as a financial product which promotes, among other characteristics, environmental or social characteristics.

3.15 A full list of current investments is shown in Table 8 below:

Table 8: Investments

Counterparty	Principal Deposited £m	Maturity Date / Notice period
<u>Fixed Term Deposits</u>		
Development bank of Singapore	3.00	13/07/2023
Reigate and Banstead Borough Council	3.00	13/07/2023
Wakefield Council	2.00	13/07/2023
National bank of Kuwait (International)	3.00	02/11/2023
Standard Chartered Bank	3.00	09/11/2023
<u>Money Market Funds</u>		
CCLA Investment Management Limited	5.00	Same day
Legal & General Investment Management	0.05	Same day
Northern Trust Asset Managements	4.40	Same day
Federated Investors UK	2.20	Same day
Goldman Sachs Asset Management	0.70	Same day
<b>TOTAL</b>	<b>26.35</b>	

3.16 Compliance with investment limits is shown in Table 9 below:

Table 9: Investment Limits

<b>Counterparty</b>	<b>2023/24 Limit £m</b>	<b>Complied?</b>
UK Central Government	Unlimited	Yes
Other Local Authorities	5 each	Yes
Any group of organisations under the same ownership	5 per group	Yes
Approved counterparties – Banks and Building Societies	3 each	Yes
Any group of pooled funds under the same management	5 per manager	Yes
Money Market Funds total	15 in total	Yes

### **Non-treasury investment activity**

- 3.17 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.
- 3.18 As of the 30<sup>th</sup> June 2023, the Council holds £107.8m of investments in the form of shares (£35.6m) and loans (£72.2m) to subsidiary companies and other organisations, primarily Graven Hill and Crown House.
- 3.19 The loan elements of these non-treasury investments generate a higher rate of return than earned on treasury investments due to the commercial nature of the loans issued. . Table 10 below shows the investment position for this reporting period.

Table 10: Non-treasury Investment Position

	<b>Investment Amount £m</b>	<b>Average Interest Rate</b>	<b>Budget £m</b>	<b>Actual £m</b>	<b>Variance to Date £m</b>
Apr – Jun 23	72.2	6.78%	(1.155)	(1.207)	(0.052)

## Overall performance

3.20 The overall performance for the 3 months to 30 June 2023 is as follows:

Table 11: Overall Treasury Position for the Period

	Budget to date £m	Actual to date £m	Variance to date £m
Borrowing costs	0.977	0.919	(0.058)
Finance lease and other interest	0.063	0.058	(0.005)
Treasury income	(0.126)	(0.173)	(0.047)
Non-treasury income	(1.155)	(1.207)	(0.052)
<b>Total cost/(income)</b>	<b>(0.241)</b>	<b>(0.403)</b>	<b>(0.162)</b>

3.21 The full year forecast is expected to show an overall positive variance against budget of (£0.376m) as detailed in Table 12 below.

Table 12: Overall Treasury Position Forecast to Year End

	Full Year Budget £m	Full Year Actual £m	Full Year Variance £m
Borrowing costs	3.909	3.851	(0.058)
Finance lease and other interest	0.253	0.310	0.057
Treasury income	(0.506)	(0.673)	(0.167)
Non-treasury income	(4.622)	(4.830)	(0.208)
<b>Total cost/(income)</b>	<b>(0.966)</b>	<b>(1.342)</b>	<b>(0.376)</b>

## Interest rate forecast

The Bank of England's MPC acted for a thirteenth consecutive meeting in June. It surprised the market by raising the Bank Rate by 0.50% to 5.00%. Although Link continues to increase its rates forecast (Table 13 below), the pattern remains unchanged with interest rates peaking in Q4 23/24 and then slowly reducing from Q2 24/25. The Council's future strategy for borrowing needs are summarised in Appendix 1.

Table 13: Link Forecast Rates published on 30<sup>th</sup> June 2023

Interest Rate Forecasts								
Bank Rate	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Link	5.00%	5.50%	5.50%	5.50%	5.25%	4.75%	4.25%	3.75%
Cap Econ	5.00%	5.25%	5.25%	5.25%	5.25%	4.75%	4.50%	4.00%
<b>5Y PWLB RATE</b>								
Link	5.50%	5.60%	5.30%	5.10%	4.80%	4.50%	4.20%	3.90%
Cap Econ	5.40%	5.10%	4.80%	4.60%	4.40%	4.20%	4.00%	4.00%
<b>10Y PWLB RATE</b>								
Link	5.10%	5.20%	5.00%	4.90%	4.70%	4.40%	4.20%	3.90%
Cap Econ	5.20%	5.00%	4.80%	4.60%	4.50%	4.30%	4.10%	4.00%
<b>25Y PWLB RATE</b>								
Link	5.30%	5.40%	5.20%	5.10%	4.90%	4.70%	4.50%	4.20%
Cap Econ	5.30%	5.20%	5.10%	4.90%	4.70%	4.50%	4.30%	4.30%
<b>50Y PWLB RATE</b>								
Link	5.00%	5.10%	5.00%	4.90%	4.70%	4.50%	4.30%	4.00%
Cap Econ	4.90%	4.90%	4.90%	4.80%	4.60%	4.40%	4.30%	4.20%

Note: **Capital Economics** is an independent economic research business based in London to which Link are comparing their forecasts to demonstrate the market view

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

- 4.1 This report details the Treasury Performance for the Council for the period ending 30<sup>th</sup> June 2023. 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, Head of Finance (D151)

01295 221545, [joanne.kaye@cherwell-dc.gov.uk](mailto:joanne.kaye@cherwell-dc.gov.uk)

### **Legal Implications**

- 7.2 The presentation of the Report is required by regulations issued under the Local Government Act 2003 to review the treasury management activities, the actual prudential indicators and the treasury related indicators.

Comments checked by:

Shiraz Sheikh, Assistant Director Law & Governance | Monitoring Officer

01295 221651, [shiraz.sheikh@cherwell-dc.gov.uk](mailto:shiraz.sheikh@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. This and any other risks related to this report 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, Performance and Insight Team Leader

01295 221556, [celia.prado-teeling@cherwell-dc.gov.uk](mailto: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, Performance and Insight Team Leader  
01295 221556, [celia.prado-teeling@cherwell-dc.gov.uk](mailto: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**

Appendix 1 - Planned Borrowing

### **Background papers**

None

### **Report Author and contact details**

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## Appendix 1 – Planned Borrowing

### 1. Introduction

The Treasury function aims to ensure that the Council does not find itself in a position where it needs to borrow funds at unfavourable rates due to a lack of planning. In the June 2023 Treasury Management Strategy meeting (attended by the Section 151 officer among other officers) the need was identified for a cost analysis on whether it would be cost effective to borrow ahead of need for 24/25.

### 2. Updated borrowing need

In July 2022 the Council recognised that interest rates were increasing and likely to increase at a significant rate in the coming months. After taking advice from its Treasury Management Adviser, Link, the Council borrowed £66m in advance of need so as to reduce future anticipated higher interest rate costs.

This £66m was required to fund the following loans which were due to mature in the short to medium term and required refinancing:

Year	Value (£m)	Rationale
2022/23	20	Refinance short term loans maturing
2022/23	16	Replace cash received in advance of need
2023/24	22	Refinance short term loans maturing
2024/25	8	Refinance part of £21m PWLB loan – the balance of £13m was due to be repaid by other planned cashflows
Total	66	

This borrowing was due to cover planned expenditure; any new capital programme requirements identified after this would require additional borrowing. In addition, there may have been short-term borrowing required to cover general Treasury cashflow management activity. This strategy would have left the next PWLB maturity in 2025 when the Council would have had to review its cashflow position and consider whether borrowing to refinance was required, but this decision was expected to be taken past the major spike in interest rates which was forecast at the time.

There was an underlying assumption within this that the Council would retain a minimum balance of £10m available to it in short-term deposits in order to retain our Markets in Financial Instruments Directive (MiFID) status.

### 3. Latest Position

The anticipated cashflows of £13m may not now happen, which means the Council may need to borrow earlier than anticipated above\*. The Council needs to consider when the best time is to borrow – i.e. now and invest surplus cash, or when the cash is needed.

*\*Please note that if these cashflows are not received that would mean that the Council receives additional interest payments from this.*

Link has also advised that, in the current market, it is harder to access cash at short notice. Therefore, the Council should consider whether it continues to assume a minimum balance of £10m or it should increase this to £20m to manage its liquidity.

#### 4. Change of interest rate forecast

The other factor that has changed considerably since July 2022 are the interest rates. It was previously thought that 10-year PWLB interest rates would peak in Q2 & Q3 23/24 at 3.30% while it is now forecast to peak in Q3 23/24 at at least 5.00% with a much slower reduction in rates after that.

Link's forecast June 2022

Interest Rate Forecasts								
Bank Rate	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Link	1.75%	2.25%	2.75%	2.75%	2.75%	2.75%	2.50%	2.50%
Cap Econ	1.75%	2.25%	2.50%	2.75%	3.00%	3.00%	3.00%	3.00%
<b>5Y PWLB RATE</b>								
Link	3.20%	3.30%	3.30%	3.30%	3.30%	3.20%	3.10%	3.00%
Cap Econ	3.40%	3.80%	3.70%	3.60%	3.50%	3.50%	3.30%	3.20%
<b>10Y PWLB RATE</b>								
Link	3.40%	3.50%	3.50%	3.50%	3.50%	3.40%	3.30%	3.20%
Cap Econ	3.60%	3.80%	3.80%	3.70%	3.60%	3.60%	3.50%	3.30%
<b>25Y PWLB RATE</b>								
Link	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.60%	3.50%
Cap Econ	3.70%	3.80%	3.80%	3.80%	3.80%	3.70%	3.60%	3.50%
<b>50Y PWLB RATE</b>								
Link	3.40%	3.40%	3.50%	3.50%	3.40%	3.40%	3.30%	3.20%
Cap Econ	3.60%	3.80%	3.80%	3.70%	3.70%	3.70%	3.60%	3.50%

Link's forecast June 2023

Interest Rate Forecasts								
Bank Rate	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Link	4.75%	5.00%	5.00%	4.75%	4.50%	4.00%	3.50%	3.25%
Cap Econ	4.75%	5.25%	5.25%	5.25%	5.25%	4.75%	4.50%	4.00%
<b>5Y PWLB RATE</b>								
Link	5.00%	5.00%	5.00%	4.80%	4.50%	4.10%	3.70%	3.50%
Cap Econ	5.10%	4.90%	4.80%	4.60%	4.40%	4.20%	4.00%	4.00%
<b>10Y PWLB RATE</b>								
Link	5.00%	5.00%	5.00%	4.80%	4.40%	4.10%	3.80%	3.60%
Cap Econ	5.10%	5.00%	4.80%	4.60%	4.50%	4.30%	4.10%	4.00%
<b>25Y PWLB RATE</b>								
Link	5.30%	5.30%	5.20%	5.10%	4.80%	4.50%	4.20%	4.00%
Cap Econ	5.40%	5.30%	5.10%	4.90%	4.70%	4.60%	4.40%	4.30%
<b>50Y PWLB RATE</b>								
Link	5.10%	5.10%	5.00%	4.90%	4.60%	4.30%	4.00%	3.80%
Cap Econ	5.10%	5.00%	4.90%	4.80%	4.60%	4.40%	4.30%	4.20%

#### 5. Borrowing ahead of need cost analysis

Calculations based on taking a loan now at the current PWLB rate for 2.5 years, compared to the cost of a 1-year loan from another Local Authority at the time of need at rates based on Link's forecast, showed that borrowing for a shorter term at the time of need was the most cost effective solution.

#### 6. Link's advice

Working closely with our Treasury Management advisor, Link, their opinion on the matter is as follows:

'£12m temporary loans mature before [the] end of 2023 (calendar year) and £21m PWLB loan matures 19<sup>th</sup> Oct 2024 and as cash balances have fallen the

expectation is for these to be re-financed with new loans – particularly if a cap is placed on minimum level of external investment.

The shortfall may not be replaced if cash balances allow for an increase in Internal Borrowing but if not, the cost will be higher than previously budgeted and our view is that any loan should be short term/temp to allow future refinancing when rates have fallen back from current levels.

Our forecast currently expects PWLB rates to be at around 4% (and possibly a margin higher) in Oct 2024, so the Council should plan for that cost if it will need to refinance the loan when it matures.

The key is going to be how quickly inflation in UK falls and how much MPC feel they have to increase [the] Bank Rate by to achieve their objective of returning CPI to 2%.'

## **7. Conclusion and Reasons for Recommendations**

After carefully considering the cost implications with the data that was available on 16<sup>th</sup> June 2023, it was decided that borrowing ahead of need would not be in the Council's best interest at this time

The market will be closely monitored and, should any changes occur, new analysis and calculations will be carried out.

As interest rates are currently forecast to continue to fall the Council would then adopt a policy of borrowing short term as interest rates fall so it is not locked into higher interest rates for long periods of time.

### **Report Author and contact details**

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## **Cherwell District Council**

### **Accounts, Audit and Risk Committee**

**26 July 2023**

### **2022/23 Accounting Policies**

### **Report of the Assistant Director of Finance (S151 Officer)**

This report is public

#### **Purpose of report**

To review and approve the Accounting Policies for inclusion in the 2022/23 Statement of Accounts. The Council is required to set accounting policies which set out the specific principles, bases, conventions, rules, and practices applied by an authority in preparing and presenting financial statements. The accounting policies describe how the Council has interpreted and applied the Code of Practice on Local Authority Accounting. There have been no material changes to the Accounting Policies.

In addition, to note that the 2022/23 Draft Statement of Accounts were not published by the 31 May 2023 deadline, due to delays in the audit of the 2021/22 Statement of Accounts.

#### **1.0 Recommendations**

The meeting is recommended:

- 1.1 To approve the accounting policies as approved by the Chief Finance Officer (Appendix 1).
- 1.2 Note that the 2022/23 Draft Statement of Accounts were not published by the 31 May 2023 deadline.

#### **2.0 Introduction**

- 2.1 All local authorities must produce a statement of accounts annually to help ensure that there is appropriate stewardship of public finances. Statements of accounts are produced according to accounting standards to ensure that they are produced on a consistent standard and are comparable with other statements of accounts. Local Authority statements of accounts are produced by following the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code occasionally overrides accounting standards where statute takes precedence over accounting standards.

### **3.0 Report Details**

- 3.1 The Accounts, Audit and Risk Committee are required to approve the Accounting Policies for inclusion in the draft statement of accounts. The draft statement of accounts for 2022/23 should be published by 31 May 2023. Officers expect to publish to the Council's website a draft of the statement of accounts by the end of October – pending further updates from the External Auditors at the September Committee meeting. The draft accounts would then be presented to the following meeting of the Committee in November 2023.
- 3.2 The 2022/23 Draft Statement of Accounts should not be published until the 2021/22 Statement of Accounts are finalised because any changes resulting from the audit could have a material impact on the opening balances of the 2022/23 statement, rendering it materially inaccurate. It is possible by law to delay publishing the draft statements in these circumstances.
- 3.3 The notes to the accounts provide supporting information and additional detail for the main financial statements. Note 1 sets out the Council's Accounting Policies (Appendix 1). The Council is required to set accounting policies which set out the specific principles, bases, conventions, rules, and practices applied by an authority in preparing and presenting financial statements. The accounting policies describe how the Council has interpreted and applied the Code of Practice on Local Authority Accounting.
- 3.4 The code states that The Chief Finance Officer is responsible for selecting 'suitable' accounting policies and ensuring that they are applied consistently in the preparation of the statement of accounts. The 2022/23 Accounting Policies, as set out in Appendix 1, have been approved by the Chief Finance Officer. All significant accounting policies have been selected with reference to the Code.
- 3.4 There have been no material changes to the accounting policies for 2022/23. There have been two minor changes to the accounting policies. The first is to change the range of useful economic lives of the council's vehicles from 5 to 7 years to 5 to 10 years. This reflects the longer useful life of some of the council's newer electric vehicles. The second is to remove three accounting policies that are not relevant to the council for 2022/23. The sections removed are: Foreign Currency Translation, Heritage Assets and Joint Operations.

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

- 4.1 Accounts, Audit and Risk Committee is invited to review and ratify the Accounting Policies for 2022/23 and note that the draft statement of accounts will not be published until the 2021/22 audit is complete.

### **5.0 Consultation**

- 5.1 Not applicable

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



- 6.1 Option One: To amend the policies. This is not recommended as the 2022/23 Accounting Policies have been approved by the Chief Finance Officer. All significant accounting policies have been selected with reference to the Code.

## **7.0 Implications**

### **Financial and Resource Implications**

- 7.1 The only financial implication is that the change in accounting policy for useful economic lives of vehicles will lead to a lower depreciation charge for those vehicles with a longer life. However, this does not impact on the general fund due to the adjustments between accounting basis and funding basis under statutory requirements, which require the depreciation charge to be taken to the Capital Adjustment Account unusable reserve.

Comments checked by:

Alex Rycroft, Strategic Finance Business Partner – Technical & Transformation, 01295 221541, [Alex.Rycroft@cherwell-dc.gov.uk](mailto:Alex.Rycroft@cherwell-dc.gov.uk)

### **Legal Implications**

- 7.2 The accounting policies in this report have been approved by the Council's Chief Financial Officer (Assistant Director of Finance). Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint an officer to have responsibility for those arrangements. The noted delay in publication of 2022/23 draft statement of accounts is allowed for under Regulation 15, paragraph (1A) of the Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Amendment) Regulations 2021.

Comments checked by:

Shahin Ismail, Interim Head of Legal Services,  
Email: [shahin.ismail@cherwell-dc.gov.uk](mailto:shahin.ismail@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, Performance & Insight Team Leader, 01295 221556, [Celia.Prado-Teeling@cherwell-dc.gov.uk](mailto:Celia.Prado-Teeling@cherwell-dc.gov.uk)

### **Equalities and Inclusion Implications**

- 7.4 There are equalities implications arising directly from this report.

Comments checked by:

Celia Prado-Teeling, Performance & Insight Team Leader, 01295 221556, [Celia.Prado-Teeling@cherwell-dc.gov.uk](mailto: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 wards are affected

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

All corporate plan themes.

### **Lead Councillor**

Councillor Adam Nell – Portfolio Holder for Finance

## **Document Information**

### **Appendix Number and Title**

- Appendix One – Accounting Policies 2022/2023

### **Background Papers**

None

### **Report Author**

Joanne Kaye, Head of Finance and Deputy S151 Officer  
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## Appendix 1

### Note 1 – Accounting Policies

#### **General principles**

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31st March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices under Section 21 of the Local Government Act 2003 primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and the Service Reporting Code of Practice 2022/23, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

#### **1.1 Going Concern**

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

The District Council has carried out a detailed assessment of the continuing impact of the COVID-19 pandemic recovery and other economic pressures, like the Cost-of-Living crisis, on its financial position and performance during 2022/23 as part of the budget setting process. This included consideration of the following:

- Loss of income on a service-by-service basis during the recovery phase, for example on car parking income.
- Additional expenditure on a service-by-service basis, e.g., extra inflationary pressures.
- The impact on the District Council's capital programme, e.g., delays caused by government restrictions, and whether there is a need to rephase work for other reasons e.g., supply chain challenges.
- The impact of all of the above on the District Council's cash flow and treasury management, including availability of liquid cash (as at 30 April 2023 the Council had £11.4m instant access deposits), impact on investment returns, and availability of external borrowing if required.
- The estimated overall impact on the District Council's General Fund

As set out in the 2023/24 Budget and Medium-Term Financial Strategy up to 2027/28 approved by Council in February 2023, the Council has set aside a contingency to cover

potential losses of income of £1.1m. The Council also set a contingency budget for continued inflationary pressures throughout the medium term.

At its meeting on 7 February 2022, the Council agreed to terminate the S113 Partnership Arrangement with Oxfordshire County Council. This was followed by a 6-month period where the Councils agreed how they would separate, and which services would continue to be provided in a joint arrangement. This has been closely monitored in the 23/24 budget setting process, with a £0.9m ongoing cost identified due to decoupling.

The Council's Medium-Term Financial Strategy identifies that the Council needs to identify savings of £4.7m in 2024/25. This is primarily due to a forecast reduction in resources from business rates and forecast increased costs due to inflation.

In addition to continuing to lobby policy makers, highlighting where the Council has been delivering growth and driving benefits to others, the Council has developed a strategy to meet the challenges highlighted in the Medium-Term Financial Strategy if no additional funding is made available to the Council. Whilst the Council will develop plans for scenarios that include a full business rates reset, it will continue to lobby the Government for a phased implementation. Implementation of savings plans developed will not take place until it is clear that the savings must be achieved. Approaches the Council will adopt to identify savings will include:

- **Prioritisation**

Services will be broken down into specific work units which have been mapped to the strategic priority they most apply to (support services will be identified separately as support). Therefore, we can map how much the Council spends of its revenue budget on each priority. Similarly in setting the 2023/24 budget, all capital schemes are being mapped to the priority that they link most closely to. The budget and Business Plan will then be developed in conjunction to maximise the ability to deliver the priorities of each Council within the level of resources available to it.

- **Strategic Cross-cutting themes**

Overlaid on the priority-based budgeting is the Council's approach to the Strategic Cross-Cutting Themes (Transformation Programme). Strategic Cross-Cutting Themes allow the Council to review its approaches thematically across its services rather than always considering service delivery on a silo basis. This view of the expenditure of the Council helps identify organisational transformational opportunities which might not present themselves so readily via a service-based budget approach. This analysis helps to shape the thinking for the future design of our Council, one that is affordable within the future funding envelope as set out in the MTFS.

Where Strategic Cross-Cutting Themes are able to identify transformational approaches to delivery, this will generate efficiency savings to the Council that will allow it to invest in a larger proportion of its

priority services. The identification of these opportunities shapes the Transformation Programme for the organisation.

- **Savings Targets**

Where Strategic Cross-Cutting Themes are able to identify transformational approaches to delivery, this will generate efficiency savings to the Council that will allow it to invest in a larger proportion of its priority services. The identification of these opportunities shapes the Transformation Programme for the organisation.

Whilst identifying £4.7m savings in 2024/25 will be a challenge, the Council has demonstrated that it is capable of identifying and delivering significant savings in recent years, with a total of £8.2m of savings identified across the 2021/22 to 2023/24 budgets. Executive will receive monthly updates on the financial position throughout 2023/24, including progress against savings delivery. Progress against savings delivery is managed by the Budget Oversight Group and senior management.

In setting the 2023/24 budget, the Council has determined that £6m of general balances is a prudent level in order to manage identified risks. A further £22m of other earmarked reserves could also be made available if absolutely necessary. The Council continues to review its reserves position regularly as per its Reserves Policy.

The Council's cashflow forecast to the end of March 2024 demonstrates that the Council has access to sufficient cash over the medium term to support planned Council and Group activities. This assumes maximum planned borrowing of £188m in the period and includes flexibility for additional borrowing of up to £122m should income be less than forecast or expenditure more than forecast in the period.

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

## **Accruals of Income and Expenditure**

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services

are transferred to the service recipient in accordance with the performance obligations in the contract.

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

### **Cash and Cash Equivalents**

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

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

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

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

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

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

## **Charges to Revenue for Non-Current Assets**

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

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

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

## **Collection Fund Income and Expenditure Account**

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

## **Council Tax and Non-Domestic Rates**

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

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

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

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

### **Accounting for Council Tax and NDR**

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

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

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

### **Exceptional Items**

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

The Council has no Exceptional Items in 2022/23.

## **1.2 Employee Benefits**

### **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid



sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave - e.g., time off in lieu, flex-leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to the service account, but then reversed out through the Movement in Reserves Statement so that holiday benefits accrual has no impact on Council Tax and holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefit**

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

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

### **Post-Employment Benefits**

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

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

The pension fund liability is calculated every three years by the fund's actuary, with annual updates in the intervening years. Methods and assumptions consistent with International Accounting Standard (IAS) 19 are used in the calculations. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 35. The estimate of the liability is therefore subject to significant variances based on changes to the assumptions used.

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

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high-quality corporate bond. The discount rates

are based on the annualised yield on the iBoxx over 15-year AA rated corporate bond index.

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

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

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

**Service cost comprising:**

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

**Re-measurements comprising:**

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

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

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

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

### **Discretionary Benefits**

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

### **Events after the Reporting Period**

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

Two types of events can be identified:

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

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

### **Financial Instruments**

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

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and

Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

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

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

## **Financial Assets**

Financial assets are classified into two types:

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

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

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based

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

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

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

### **Available-for-Sale Assets**

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

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

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

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred

– these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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

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

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

### **Government Grants and Contributions**

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

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

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

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

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

## **Intangible Assets**

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service area in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

## **Interests in Companies and Other Entities**

The Council has material interests in companies and other entities that have the nature of subsidiaries, and require it to prepare group accounts. In the authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses in 2022/23:

- Graven Hill Village Holding Company Limited
- Graven Hill Village Development Company Limited
- Graven Hill Village Management Company Limited
- Graven Hill Village Management Company Block E Limited
- Crown House Banbury Limited
- Crown Apartments Banbury Limited

Group Accounts have been prepared in accordance with paragraph 9.1.2.60 of the Code of Practice on Local Authority Accounting 2022/23, using uniform accounting policies for like transactions and other events in similar circumstances.

## **Inventories and Long-Term Contracts**

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

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

## **Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

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

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

## **Leases**

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

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

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

### **1.3 The Council as Lessee**

#### **Finance Leases**

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and



- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

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

### **Operating Leases**

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

## **1.4 The Council as Lessor**

### **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is

required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of noncurrent assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **Fair Value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When applying the definition of fair value, non-financial assets and non-current assets held for sale shall be measured at highest and best use.

### **Property, Plant & Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual's basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

The Council has a de minimis limit of £10,000 for capital expenditure purposes which results in the capitalisation of expenditure above that limit as an asset in the balance sheet. Items below this limit are charged to revenue.

### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located if the cost is above the £5,000 de minimis threshold.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Vehicles, plant and equipment are held at depreciated historical cost.
- Infrastructure, community assets and assets under construction are held at historical cost.
- Dwellings – Current value, determined using the basis of Existing Use Value for Social Housing (EUV–SH).
- Other land and buildings and operational assets where there is an active market – Current value determined as the amount that would be paid for the asset in its existing use (EUV).
- Operational assets, such as community and sports centres, where there is no market-based evidence of current value because of the specialist nature of the asset and/or the asset is rarely sold (i.e., EUV cannot be

determined)- depreciated replacement cost using the 'instant build' approach as an estimate of current value.

- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- Fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at current value are revalued regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits taken to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

The council's property valuations are carried out by Montagu Evans and Colliers. The bases of valuations are undertaken in accordance with the Statement of Asset Valuation Practice and Guidance Notes, published by the Royal Institute of Chartered Surveyors (RICS).

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that they may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer and/or Responsible Officer for that asset; and
- Infrastructure – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer, and/or Responsible Officer and/or valuer for that asset.

Newly acquired assets and capital enhancements are depreciated from the year after acquisition.

Useful life of an asset is shown below for the relevant categories:

- |                                |                  |
|--------------------------------|------------------|
| • Infrastructure               | 10 to 40 years   |
| • Buildings                    | 10 to 60 years   |
| • Vehicles                     | 5 to 10 years    |
| • Computer Equipment / systems | 3, 5 or 10 years |
| • Other                        | 3 to 30 years    |

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. All assets with a gross value over £50,000 are considered for componentisation.

If on consideration a component is assessed to be greater than 20% of the total cost of the asset, it is componentised, and the separate components depreciated using appropriate useful lives. Components that are individually less than 20% of the total cost of the asset are not treated as separate components for accounting purposes. They are valued and depreciated as part of the building structure.

The following two components have been identified for items of property:

- Land
- Structure of Building

Each component is considered to depreciate on a straight-line basis. The useful life of a component will vary according to the type of property in which it is located and the amount of use to which it is put. The useful life of a component will be determined by the valuer when a component part is identified.

Where a component is replaced or restored, the carrying amount of the old component shall be derecognised to avoid double counting and the new component reflected at the cost or new carrying value.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses recognised previously in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale and are kept under their original category.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal).

Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings and 50% for land, net of statutory deductions and allowances) are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The net book value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **Fair Value Measurement**

The authority measures some of its non-financial assets such as surplus assets, investment properties, assets held for sale and some of its financial instruments, such as equity shareholdings, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

### **Minimum Revenue Provision**

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation on non-current assets. However, it is required to make an annual contribution from revenue towards provision for the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the Minimum Revenue Provision in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

## **1.5 Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged to the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g., from an insurance claim) this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.



## **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## **Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to count against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept managing the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

## **Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## **VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income. The amount of VAT irrecoverable is negligible.

## **Rounding**

In preparing the Statement of Accounts all numbers, including totals, have been rounded independently to avoid unacceptable rounding errors. This may mean that some tables do not cross cast.

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## **Cherwell District Council**

### **Accounts, Audit and Risk Committee**

**26 July 2023**

#### **Support to Subsidiaries**

#### **Report of the Assistant Director of Finance (S151 Officer)**

This report is public.

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

#### **Purpose of report**

To inform the Committee of the overall level of support provided to the Council's subsidiaries and how this is considered as part of the external audit.

#### **1.0 Recommendations**

The meeting is recommended:

- 1.1 To note the report and raise any queries on the exempt appendix.

#### **2.0 Introduction**

- 2.1 The Council has several subsidiaries which are consolidated into its Group Accounts. Each of these subsidiary companies are required to be audited externally and each audit requires a Letter of Support from the Council as Parent. The Letter of Support is a document which demonstrates that the Parent will ensure its subsidiaries are able to meet their liabilities and are relied upon by the subsidiary auditors in determining the Going Concern status of the company. A Going Concern is a company which is financially stable enough to meet its obligations and continue to trade for the foreseeable future.
- 2.2 The Council also needs to demonstrate its status as a Going Concern to its external auditors. Having a robust understanding of its financial commitments is crucial in assessing whether the Council has the financial security to support itself and its subsidiaries.

#### **3.0 Report Details**

- 3.1 Demonstrating that the Council is a Going Concern is increasingly important to the Council's external auditors, and auditors across all sectors, not least because of the legacy of the Covid-19 pandemic and the cost-of-living crisis and their impact on businesses. Those charged with governance are responsible for assessing its status

as a Going Concern and part of how that is done is by preparing detailed forecasts which reflect potential scenarios and the organisation's plans to deal with them.

- 3.2 For the 2021/22 assessment of Going Concern, as in previous years the Council will provide a detailed cashflow forecast with assumptions of its own cash in- and outflows. This forecast will then test for sensitivities to expected cash inflows (e.g. 5% reduction in Council Tax collection) and outflows (e.g. a subsidiary requiring financial assistance).
- 3.3 The external auditors are keen to determine what the overall cash position of the council would be if all of the identified risks happened on the same day; could the Council manage financially? Appendix 1 details the level of support committed to the Council's subsidiaries in their Letters of Support and quantifies, where possible, the level of financial exposure this entails. Each is then assessed for its potential impact on the Council's cashflow and the likelihood of the Council being called on to step in. The document then details the mitigations and governance arrangements the Council has in place to manage the risk.
- 3.4 Sections 3 and 4 of the Appendix assesses the ability of the Council to cope financially with the worst-case scenario which consists of a selection of the identified risks occurring on the day the Council is forecasting its lowest cash position. This scenario results in the Council being required to borrow in the short term to manage its cashflow, but comfortably within the limits which were set as part of the Capital Strategy approved by Council in February 2023.
- 3.5 The document that is Appendix 1 has now become an integral part of the Council's Going Concern assessment and will continue to be regularly updated and brought to this committee as part of the governance and mitigation to which it refers. It is also used to ensure the borrowing boundaries in the Capital Strategy are set appropriately.

## **4.0 Conclusion and Reason for Recommendations**

- 4.1 The information in Appendix 1 summarises the support the Council has extended to its subsidiaries. It is important that the Committee is aware of the level of support extended in order to ensure good governance, manage risk and to inform decision making.

## **5.0 Consultation**

- 5.1 None

## **6.0 Implications**

### **Financial and Resource Implications**

- 6.1 There are no new financial implications to the Council arising as a result of this report. The report does however set out the scale of the financial support provided to its subsidiaries and the Council should be mindful of this in the future.

Comments checked by:

Michael Furness, Assistant Director of Finance,

01295 221845, [Michael.Furness@sheff-hd-cc.gov.uk](mailto:Michael.Furness@sheff-hd-cc.gov.uk)

## Legal Implications

- 6.2 There are no new legal implications arising directly as a result of this report.

Comments checked by:

Shahin Ismail, Interim Assistant Director of Law & Governance and Monitoring Officer  
07887 550472, [Shahin.Ismail@cherwell-dc.gov.uk](mailto:Shahin.Ismail@cherwell-dc.gov.uk)

## Risk Implications

- 6.3 There are no new risk management implications to the Council arising directly from this report. In the case of any new risks arising in the future, these will be managed through the service Operational Risk and escalated to the Leadership Risk Register as and when appropriate.

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus  
01295 221556, [celia.prado-teeling@cherwell-dc.gov.uk](mailto:celia.prado-teeling@cherwell-dc.gov.uk)

## Equalities Implications

- 6.4 There are no equalities implications arising directly from any outcome of this report.

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus  
01295 221556, [celia.prado-teeling@cherwell-dc.gov.uk](mailto:celia.prado-teeling@cherwell-dc.gov.uk)

## 7.0 Decision Information

**Key Decision** N/A

**Financial Threshold Met:** N/A

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

### Links to Corporate Plan and Policy Framework

N/A

### Lead Councillor

Councillor Adam Nell, Portfolio Holder for Finance

## Document Information

### Appendix No and Title

Appendix 1 - Support to Subsidiaries [Exempt]

### Background Papers

None

### Report Author

Joanne Kaye, Head of Finance (Deputy S151)

01295 221545, [Joanne.kaye@cherwell-dc.gov.uk](mailto:Joanne.kaye@cherwell-dc.gov.uk)

# Agenda Item 19

<p><b>27-Sep-23</b></p>	<p>Local Code of Corporate Governance  Performance, Finance and Risk Monitoring Report - Q1  Housing Benefit Subsidy Audit  Internal Audit Progress Update  Final 2021/22 Annual Audit Letter  External Audit - Annual Audit Opinion 2021/22 - <i>may slip to September meeting</i>  Final Letter of Representation 2021/22 - <i>may slip to September meeting</i>  Work Programme Update  TRAINING - Treasury Management</p>
<p><b>14-Nov-23</b></p>	<p>Performance, Finance and Risk Monitoring Report - Q2 2022/23  Counter Fraud Update  FM Code Update  External Audit slot  Treasury Management Q2 Update  Chief Internal Auditor - Private Session  External Auditor - Private Session  Work Programme Update</p>
<p><b>17-Jan-24</b></p>	<p>Internal Audit Progress Update  External Audit slot  AGS 2022/23 Actions Update  Treasury Management Q3  Draft Capital and Investment Strategy and Draft Treasury Management Strategy 2024/25  2022/23 External Audit Plan  Work Programme Update</p>
<p><b>20-Mar-24</b></p>	<p>Counter Fraud Update  External Audit slot  Annual Report of AARC  Performance, Finance and Risk Monitoring Report - Q3  Housing Benefit Subsidy Audit  Housing Benefit Risk Based Verification Policy  Work Programme Update</p>

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

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