

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	
Support to Subsidiaries	
Committee	Accounts, Audit and Risk Committee
Date of Committee	17 July 2024
Portfolio Holder presenting the report	Portfolio Holder for Finance and Resources, Councillor Lesley McLean
Date Portfolio Holder agreed report	1 July 2024
Report of	Assistant Director of Finance (Section 151 Officer), Michael Furness

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. Recommendations

The Accounts, Audit and Risk Committee resolves:

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

2. Executive Summary

- 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's 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.
- 2.3 The council undertakes an exercise annually to demonstrate that the level of financial support extended to its subsidiaries does not put the council in an adverse financial position.

Implications & Impact Assessments

Implications	Commentary			
Finance	There are no financial implications arising directly from this report. Lynsey Parkinson, Strategic Finance Business Partner, 8 July 2024			
Legal	There are no new legal implications arising directly as a result of this report. Comments checked by: Shahin Ismail, Interim Head of Legal (DMO), 3 July 2024			
Risk Management	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. Celia Prado-Teeling, Performance and Insight Team Leader, 4 July 2024			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact		X		There are no equalities implications arising directly from this report. Celia Prado-Teeling, Performance and Insight Team Leader, 4 July 2024
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Climate & Environmental Impact				Not Applicable
ICT & Digital Impact				Not Applicable
Data Impact				Not Applicable
Procurement & subsidy				Not Applicable

Council Priorities	All
Human Resources	Not Applicable
Property	Not Applicable
Consultation & Engagement	Not Applicable

Supporting Information

3. Background

- 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 the council's 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.

4. Details

- 4.1 For the 2023/24 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).
- 4.2 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? Section 2 of 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.
- 4.3 Section 3 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 2024.
- 4.4 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.

5. Alternative Options and Reasons for Rejection

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

Option 1: This report is submitted for noting. Members can ask for additional information.

6 Conclusion and Reasons for Recommendations

6.1 The information in exempt 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.

Decision Information

Key Decision	Not applicable
Subject to Call in	Not applicable
If not, why not subject to call in	Not applicable
Ward(s) Affected	All

Document Information

Appendices	
Appendix 1	Exempt – Support to Subsidiaries
Background Papers	None
Reference Papers	None
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