

Committee: Accounts, Audit and Risk Committee
Date: Wednesday 19 September 2012
Time: 6.30 pm
Venue: Bodicote House, Bodicote, Banbury, OX15 4AA

Membership

Councillor Trevor Stevens (Chairman)	Councillor Mike Kerford-Byrnes (Vice-Chairman)
Councillor Andrew Beere	Councillor Colin Clarke
Councillor Andrew Fulljames	Councillor Lawrie Stratford
Councillor Rose Stratford	Councillor Barry Wood

AGENDA

1. **Apologies for Absence and Notification of Substitute Members**
2. **Declarations of Interest**

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

3. **Minutes** (Pages 1 - 6)

To confirm as a correct record the Minutes of the meeting of the Committee held on 27 June 2012.

4. **Petitions and Requests to Address the Meeting**

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

5. **Urgent Business**

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

6. Statement of Accounts 2011/12 (Pages 7 - 10)

**** Appendix 1 and 2 to follow as they are currently being finalised ****

Report of Head of Finance and Procurement.

Summary

The purpose of this report is to obtain official sign-off by the Chief Financial Officer and the Chairman of Accounts, Audit and Risk Committee the audited Statement of Accounts 2011/12.

Recommendations

The Accounts, Audit and Risk Committee is recommended:

- (1) to approve the amendments to the 2011/12 financial statements detailed in Appendix 1
- (2) subject to reviewing the contents of the Annual Governance Report (separate agenda item), approve the 2011/12 financial statements (Appendix 2)
- (3) to note the 2011/12 Annual Report and Summary of Accounts is currently being prepared.

7. External Audit Annual Governance Report (Pages 11 - 12)

**** Appendix 1 to follow as it is currently being finalised****

Report of the Chief Financial Officer and Head of Finance and Procurement

Summary

To allow Members to consider the Auditors' Annual Governance Report which includes comments on the audit of the 2011/12 Statement of Accounts.

Recommendations

The Accounts, Audit and Risk Committee is recommended:

- (1) to consider the matters raised in the report before approving the 2011/12 financial statements and recommending to Council (pages 7 to 8);
- (2) to take note of the adjustments to the financial statements set out in this report
- (3) to approve the letter of representation on behalf of the Council as set out in the appendix.
- (4) To agree the response to the proposed action plan as set out in the appendix.

8. Consultation Response to the Draft Local Audit Bill (Pages 13 - 38)

Report of the Head of Finance and Procurement.

Summary

The purpose of this report is for members to consider the draft Local Audit Bill.

Recommendations

The Accounts, Audit and Risk Committee is recommended:

- (1) to consider the consultation response of the draft Local Audit Bill.

9. Treasury Management Annual Report 2011-12 (Pages 39 - 56)

Report of the Head of Finance and Procurement.

Summary

To receive information on treasury management performance and compliance with treasury management policy during 2011/12 as required by the Treasury Management Code of Practice.

Recommendations

The Accounts, Audit and Risk Committee is recommended:

- (1) To note the performance of the Council's Fund Managers during 2011/12

10. External Audit Progress Report (Pages 57 - 58)

****Appendix 1 to follow as it is currently being finalised ****

Report of the Head of Finance and Procurement.

Summary

To allow Members to consider a progress report of the District Auditor.

Recommendations

The Accounts, Audit and Risk Committee is recommended to:

- (1) Note the report

11. Internal Audit Progress Report (Pages 59 - 68)

Report of Chief Internal Auditor

Summary

This report provides the Committee with an update of the work of Internal Audit since the last meeting.

Recommendations

The Accounts, Audit and Risk Committee is recommended:

- (1) To consider and approve this report.

12. Risk Management - First Quarter Review (Pages 69 - 76)

Report of the Corporate Performance Manager

Summary

To update the Committee on the management of Strategic, Corporate and Partnership risks during the first quarter of 2012/13 and highlight any emerging issues for consideration.

Recommendations

The Accounts, Audit and Risk Committee is recommended:

- (1) to review the Quarter 1 Strategic, Corporate and Partnership Risk Register.

13. Subsidy Update

The Head of Finance and Procurement will provide a verbal update to the Committee.

14. Exclusion of Public and Press

The following item contains exempt information as defined in the following paragraphs of Part 1, Schedule 12A of the 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 has 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 pass the following recommendation:

“That, in accordance with Section 100A(4) of Local Government Act 1972, the press and public be excluded from the meeting for the following items of business, on the grounds that they could involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1, Schedule 12A of that Act.”

15. Treasury Management Report - Exempt Appendices 2 and 3 (Pages 77 - 92)

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@cherwellandsouthnorthants.gov.uk or 01327 322121 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 Gavin Lane, Democratic and Elections
gavin.lane@cherwellandsouthnorthants.gov.uk, 01327 322121

Sue Smith
Chief Executive

Published on Tuesday 11 September 2012

Agenda Item 3

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, OX15 4AA, on 27 June 2012 at 6.30 pm

Present: Councillor Trevor Stevens (Chairman)
Councillor Mike Kerford-Byrnes (Vice-Chairman)

Councillor Andrew Fulljames
Councillor Barry Wood

Substitute Members: Councillor Patrick Cartledge (is substitute for Councillor Andrew Beere)

Also Present: Councillor Ken Atack, Lead Member for Financial Management

Apologies for absence: Councillor Andrew Beere
Councillor Colin Clarke
Councillor Lawrie Stratford
Councillor Rose Stratford

Officers: Martin Henry, Director of Resources / Section 151 Officer
Karen Curtin, Head of Finance and Procurement
Chris Dickens, Chief Internal Auditor
Nicola Jackson, Audit Manager, Audit Commission
Edward Cooke, Interim Technical Accountant
Gavin Lane, Democratic and Elections Officer

1 **Declarations of Interest**

There were no declarations of interest.

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

There were no petitions or requests to address the meeting.

3 **Urgent Business**

There was no urgent business.

4 **Minutes**

The minutes of the meeting of the Committee held on 19 March 2012 and 16 May 2012 were agreed as correct records and signed by the Chairman.

5 **Statement of Accounts Approval**

The Committee considered a report of the Head of Finance and Procurement which sought agreement of the Statement of Accounts 2011 – 12.

The Head of Finance and Procurement reported that the informal review meeting on 20 June 2012 raised a total of twenty-two questions and that all of the editorial changes proposed, including signage and brackets, had been made.

Resolved

- (1) That the report be noted.
- (2) That the outcomes from the informal review meeting on 20 June 2012 be noted.
- (3) That it be agreed that the “subject to audit” Statement of Accounts approval sign-off be delegated to the Chief Financial Officer for signing on, or before, the statutory deadline of 30 June 2012.

6 **Annual Governance Statement 2011/12**

The Committee considered a report of the Head of Finance and Procurement which sought approval of the Annual Governance Statement 2011 – 12.

The Committee was advised that the final draft had been circulated on 26 June 2012 and had been signed by the Chief Executive and Leader of the Council.

Resolved

- (1) That the Annual Governance Statement 2011/12 be approved, subject to audit.

7 **Treasury Management Report**

The Committee considered a report of the Head of Finance and Procurement on the Council’s treasury management performance and compliance with the treasury management policy for the first quarter of 2012 – 13.

The Head of Finance and Procurement stated that the Council had invested £10.5 million and £11.7 million with fund managers Tradition UK and Investec respectively and that a further £51 million was managed in-house.

The Committee was informed that the Council regularly reviewed its banking and investment arrangements and that a report would be presented to the next meeting of the Committee that outlined the current options available.

The Committee was advised that despite recent problems regarding a widespread computer failure at the Council's bank, Natwest, all Council staff received their pay as expected during June 2012.

The Head of Finance and Procurement stated that a report on the Investment Strategy 2012 – 13 would be presented to Full Council in October 2012 and that consequently it would not be considered by the Committee in September 2012.

The Head of Finance and Procurement reported that a report on the Council's investment in Investec would be circulated to the Committee, in addition to a statement on the position at May and June 2012 during the first quarter.

Resolved

- (1) That the contents of the report be noted.
- (2) That it be noted that a report would be presented to the next meeting of the Committee that outlined the current options available to the Council in relation to its banking and investment arrangements.
- (3) That it be noted that a report on the Council's investment in Investec would be circulated to the Committee, in addition to a statement on the position at May and June 2012 during the first quarter.

8 External Audit Progress Report

The Committee considered a report of the Head of Finance and Procurement on the progress of the work undertaken by external audit.

The Committee was advised that a certification exercise regarding benefits claims processed by the Council had concluded that the level of errors identified from the sample testing pushed the Council over the acceptable level of errors expected of a Local Authority.

It was reported that following the certification exercise, further detailed work on 'start dates' and 'employment earnings' was completed and an updated Qualification Letter was presented to the Department for Work and Pensions on 22 May 2012. The letter demonstrated an improved performance by the Council which was now below the upper threshold for local authority errors.

The Committee was informed that the number of these errors was higher than average during 2010 – 11 as a consequence of the transfer to Capita and the fact that claims for housing benefit peaked during the period. Clerical errors could compromise the accuracy of the Council's figures and officers managed Capita in order to ensure that the level of errors remained as low as possible.

It was reported that the Secretary of State would confirm the Council's revised repayment rate in relation to local authority errors in due course.

The Head of Finance and Procurement stated that a report would be presented to the next meeting of the Committee on the level of housing

benefit errors made, including the ratio of errors to the total number of transactions.

Resolved

- (1) That the contents of the progress report be noted.
- (2) That it be noted that a report would be presented to the next meeting of the Committee on the level of housing benefit errors made, including the ratio of errors to the total number of transactions.

9 **Internal Audit Annual Report**

The Committee considered a report by the Head of Finance and Procurement on the Chief Internal Auditor's annual opinion on the adequacy and effectiveness of the Council's system of internal control.

The Committee was informed that the programme of internal audit work for the year until 31 March 2012 had been completed, with the exception of the planned Joint Member workshop. The work of internal audit had identified 22 low, 19 moderate and 1 high-rated risks that could prevent the Council from achieving its objectives. It was reported that improvements were required in these areas to enhance the efficacy of risk management by the Council.

It was reported that the high-risk issue pertained to the fact that no purchase orders were in place for 84% of invoices received by the Council in year.

The Head of Finance and Procurement stated that this high-risk issue had been addressed within the Council's Annual Governance Statement.

The Committee was advised that the number of internal audit findings and recommendations had reduced considerably with a total number of 42 findings in 2011 – 12, compared to a total of 98 findings in the previous year.

Resolved

- (1) That the Internal Audit Annual Report be approved.

10 **Internal Audit Progress Report**

The Committee considered a report by the Chief Internal Auditor on the progress of the work undertaken by internal audit.

The Committee was advised that a low-risk rating had been issued regarding the Council's IT firewall as a consequence of significant improvements to previously identified issues and the introduction of new robust controls.

The Head of Finance and Procurement stated that improvements to the IT firewall had been reported within the Council's Annual Governance Statement and that a report would be presented at the next meeting of the Committee.

The Chief Internal Auditor reported that, at a national level, Local Authorities had successfully delivered against an ambitious programme of savings during the last financial year without any perceived reduction in the quality of frontline services, although there was notable nervousness regarding further financial pressures beyond the current spending review period.

Resolved

- (1) That the Internal Audit Progress Report be approved.

11 **Subsidy Update**

The Head of Finance and Procurement reported that a full report would be presented to the next meeting of the Committee.

12 **Risk Management**

The Head of Finance and Procurement reported that a full report would be presented to the next meeting of the Committee.

13 **Exclusion of the Press and Public**

Resolved

That under Section 100A of the Local Government Act 1972, the public be excluded from the meeting to enable consideration of Appendices 1a and 1b of the following item on the grounds that, if the public were present, it would be likely that exempt information falling under provisions of Schedule 12A, Part I, Paragraph 3 would be disclosed to them and that, in all circumstances of the cases, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

14 **Treasury Management Report - Exempt Appendices 1a and 1b**

The Committee considered the exempt annexes to the Report of the Head of Finance and Procurement which updated Members on the Council's investments and counterparties at 30 April 2012.

Resolved

- (1) That the exempt appendices be noted.

The meeting ended at 7.39 am

Chairman:

Date:

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Accounts, Audit and Risk Committee

Statement of Accounts 2011/12

19 September 2012

Report of the Head of Finance

PURPOSE OF REPORT

The purpose of this report is to obtain official sign-off by the Chief Financial Officer and the Chairman of Accounts, Audit and Risk Committee the audited Statement of Accounts 2011/12.

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended:

- (1) to approve the amendments to the 2011/12 financial statements detailed in Appendix 1
- (2) subject to reviewing the contents of the Annual Governance Report (separate agenda item) approve the 2011/12 financial statements (Appendix 2)
- (3) to note the 2011/12 Annual Report and Summary of Accounts is currently being prepared.

Executive Summary

1.1 Introduction

The preliminary "subject to audit" Statement of Accounts 2011/12 was reported to the Committee at its meeting on 27th June 2012.

When the council's Technical Accountant resigned in October 2011 no replacement was recruited in light of the proposed restructure within Finance and the provision of a joint service with South Northants Council.

The closedown process for 2011/12 has therefore been completed using the remaining resources available and additional technical support from Edward Cooke (Price Waterhouse Coopers). The resulting Financial Statements are however of a high quality and we continue to improve from one year to the next.

You will see that the changes required as detailed in Appendix 1 ,from the preliminary “subject to audit “ version circulated on 27th June , are primarily presentational and where process improvements have been identified they will be incorporated next year.

At the time this report is being written it is expected that the Statement of Accounts will receive an unqualified audit opinion.

In-line with reporting requirements to Communities & Local Government, we have to submit an annual Whole of Government Accounts return. As in previous years, this year we had to submit a draft return which reflected our ‘subject to audit’ accounts by 30th July 2012. We met this deadline.

A final version of this return is then submitted by the Audit Commission after the issue of their audit opinion and before the deadline of 1st October 2012.

1.2 Changes from the Statement of Accounts "Subject to Audit" 2011/12

A schedule has been maintained of all changes made since the June draft accounts and is included in Appendix 1. A full detailed audit trail is available for Member’s inspection.

1.3 Audit Opinion

The Auditor’s Annual Governance Report, which includes issues relating to the Financial Statement 2011/12 and opinion on Value for Money is included elsewhere on the agenda.

At the time of writing this report it is anticipated that an unqualified audit opinion will be given shortly and within the 30th September 2012 deadline. This opinion will then be included within the published Statement of Accounts.

The accounts reviewed by the Accounts, Audit and Risk Committee on 27th June 2012 were made available for audit supported by detailed working papers. In the same way as the previous years accounts, we were able to provide all of the working papers electronically to the auditors on the first day of the audit. This was seen as a success last year and aided the auditors process considerably.

1.4 Letter of Representation

The Audit Commission require a Letter of Representation signed by both the Chairman of this Committee, Councillor Trevor Stevens, and the Chief Financial Officer, Martin Henry as part of their standard close down procedures.

The draft letter is attached as an Appendix in the Auditor’s Annual Governance Report and will be signed at the meeting.

Implications

- Financial:** There are no financial issues arising from this report. The costs of publishing the financial publication are funded from within existing resources.
Comments checked by Karen Muir, Corporate System Accountant 01295 221559.
- Legal:** The Council must ensure its financial statements are prepared in accordance with the Code of Practice on Local Authority Accounting guidelines and available for publication by September 30 2012.
Comments checked by Karen Muir, Corporate System Accountant 01295 221559.
- Risk Management:** There are no risks arising directly from the approval of the Statement of Accounts 2011/12.
Comments checked by Karen Muir, Corporate System Accountant 01295 221559.

Wards Affected

All

Document Information

Appendix No	Title
Appendix 1	Audit Trail of Changes 2011/12 – to follow
Appendix 2	Statement of Accounts 2011/12 – to follow
Background Papers	
27 th June 2012 AARC Papers Audit Working Papers	
Report Author	Karen Curtin, Head of Finance Karen Muir, Technical & Project Accountant
Contact Information	01295 221559 Karen.muir@cherwell-dc.gov.uk

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Accounts, Audit and Risk Committee

External Audit Annual Governance Report

19 September 2012

Report of the Chief Financial Officer and Head of Finance and Procurement

PURPOSE OF REPORT

To allow Members to consider the Auditors' Annual Governance Report which includes comments on the audit of the 2011/12 Statement of Accounts.

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended: to:

- (1) consider the matters raised in the report before approving the 2011/12 financial statements and recommending to Council (pages 7 to 8);
- (2) take note of the adjustments to the financial statements set out in this report
- (3) approve the letter of representation on behalf of the Council as set out in the appendix.
- (4) agree response to the proposed action plan as set out in the appendix.

Executive Summary

- 1.1 The draft Annual Governance report is attached in Appendix 1. The Auditor's opinion of the financial statements relate to the Statement of Accounts, adopted by this Committee in June 2012.
- 1.2 It is expected at the time of writing this report that the Council will receive an unqualified opinion on the 2011/12 financial statements.
- 1.3 Officers and Members can be rightly proud of the successful outcomes delivered as a result of the 2011/12 Closedown process. The quality of the 2011/12 Financial Statements and areas of continued improvement support this.

Implications

Financial:	There are no financial effects arising from this report. Comments checked by Karen Muir, Corporate System Accountant 01295 221559.
Legal:	There are no legal implications arising from this report. Comments checked by Karen Muir, Corporate System Accountant 01295 221559.
Risk Management:	There are no risk issues arising from this report. Comments checked by Karen Muir, Corporate System Accountant 01295 221559.

Wards Affected

All

Document Information

Appendix No	Title
Appendix 1	Annual Governance Report (TO FOLLOW)
Background Papers	
None	
Report Author	Karen Curtin, Head of Finance and Procurement
Contact Information	01295 221551 Karen.curtin@cherwelland.southnorthants.gov.uk

Accounts, Audit and Risk Committee

Consultation Response to the Draft Local Audit Bill

19 September 2012

Report of the Head of Finance and Procurement

PURPOSE OF REPORT

The purpose of this report is for members to consider the draft Local Audit Bill.

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended:

- (1) To consider the consultation response of the draft Local Audit Bill.

Executive Summary / Background Information

1. The response is broadly supportive of the proposals as they will lead to significant cost reductions in audit fees going forward and the ability for the Council to appoint their auditors themselves. However, it highlights an apparent inconsistency on the position of the Accounts, Audit and Risk Committee in relation to the audit appointment process. Comments on the role of the National Audit Office in relation to identifying improvement that may be made by all local authorities in the economy, efficiency and effectiveness with which they use their resources in the discharge of their functions. The comments in the second bullet points being the ones that the LGA have urged us to make as part of our response.

Key Issues for Consideration/Reasons for Decision and Options

The following options have been identified. The approach in the recommendations is believed to be the best way forward.

Option One To consider the attached response of the draft Local Audit Bill

Consultations

Analysis of the Draft Local Audit Bill.pdf

Draft Local Audit Bill – Consultation Response CDC.doc

Implications

- Financial:** There are no direct financial implications from this report. However, this could lead to significant cost reductions in audit fees going forward.
Comments checked by Karen Curtin, Head of Finance & Procurement
01295 221634
- Legal:** This is a consultation by the statutory body
Comments checked by Kevin Lane, Head of Law and Governance,
0300 003 0107
- Risk Management:** Failure to respond to the consultation would deprive the Council of the opportunity to put forward its views on the government proposals.
Comments checked by Karen Curtin, Head of Finance & Procurement
01295 221634.

Wards Affected

All

Corporate Plan Themes

An Accessible and Value for Money Council

Executive Portfolio

Councillor Ken Atack
Lead Member Financial Management

Document Information

Appendix No	Title
Appendix 1	Draft Local Audit Bill - Consultation Response CDC
Appendix 2	Analysis of the Draft Local Audit Bill
Background Papers	
(1) The IFRS-Based Code of Practice on Local Authority Accounting in the United Kingdom (2) 2011/12 Code Update (3) The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom – Guidance Notes for Practitioners	
Report Author	Karen Curtin, Head of Finance and Procurement Ed Cooke, Interim Technical Accountant Karen Muir, Corporate System Accountant
Contact Information	01295 221559 karen.muir@cherwell-dc.gov.uk edward.cooke@cherwell-dc.gov.uk

Draft Local Audit Bill

Consultation response form

We are seeking your views on the following questions on the Government's draft Local Audit Bill and proposals for the audit of smaller local public bodies.

If possible, we would be grateful if you could please respond by email.

Please email: foia@communities.gsi.gov.uk

Alternatively, we would be happy to receive responses by post. Please write to:

Future of Local Audit
Department for Communities and Local Government
3/J5 Eland House
Bressenden Place
SW1E 5DU

The deadline for submissions is 5pm on 31 August 2012.

(a) About you

(i) Your details

Name:	Martin Henry
Position:	Director of Resources
Name of organisation (if applicable):	Cherwell District Council
Address:	Bodicote House, Bodicote, Banbury, OX15 4AA
Email:	martin.henry@cherwelland southnorthants.gov.uk
Telephone number:	0300 003 0102

(ii) Are the views expressed on this consultation an official response from the organisation you represent or your own personal views?

Organisational response	<input checked="" type="checkbox"/>
Personal views	<input type="checkbox"/>

(iii) Please tick the *one* box which best describes you or your organisation:

Upper tier local authorities	<input type="checkbox"/>	
Lower tier local authorities	<input checked="" type="checkbox"/>	
Parish and town councils	<input type="checkbox"/>	
Audit and accountancy firms	<input type="checkbox"/>	
Professional auditing and accountancy firms	<input type="checkbox"/>	
Other audited public body (e.g. fire authority, police authority, national park authority, pension authority - please state which)	<input type="checkbox"/>	
Other (please state)	<input type="checkbox"/>	

(iv) Do your views or experiences mainly relate to a particular type of geographical location?

City	<input type="checkbox"/>	
London	<input type="checkbox"/>	
Urban	<input type="checkbox"/>	
Suburban	<input type="checkbox"/>	
Rural	<input checked="" type="checkbox"/>	
Other (please comment)	<input type="checkbox"/>	

(vi) Would you be happy for us to contact you again in relation to this consultation?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

(b) Consultation questions

Draft Local Audit Bill:

Part 1 - Abolition of existing audit regime

Q1. Do you have any comments on the clauses in Part 1 or Schedule 1?

Comments (please state clearly which clause you are referring to):

The only specific comment to make in relation to Part 1 and Schedule 1 of the draft regulations is that the Council feels that the current grant certification arrangements are expensive and unnecessary. Councils should be trusted to spend money on the purposes for which it is given. There is a view that we are already over-regulated and should take the opportunity to move away from this approach.

Part 2 - Basic requirements and concepts

Q2. Do you have any comments on the clauses in Part 2 or Schedule 2?

Comments (please state clearly which clause you are referring to):

The Council makes no specific comments in relation to Part 2 or Schedule 2.

Part 3 - Appointment etc of auditors

Q3. Do you have any comments on the clauses in Part 3?

Comments (please state clearly which clause you are referring to):

The Council welcomes the proposal that Councils should appoint their own auditors.

The Council feels that the legislation and explanatory notes are not clear in relation to the use of the Audit Committee. Section 11 subsection 2b and 3 indicates that pre-existing committees can be used as the auditor panel as long as the independence requirements set out in section 12 are met. The definition of 'independent' includes the requirement that:

12.2.a 'the panel member has not been a member or officer of the Council within the period of five years ending with that time'

This therefore restricts existing committee members to be on the

independent panel unless they are in the minority.

A politically balanced Audit Committee should meet the requirements for an independent panel.

The Council fully acknowledges the need for appropriate safeguards to preserve the independence of audit and ensure public trust in the process is not jeopardised. However, we believe that the new approach to audit must avoid becoming over regulated.

Sufficient flexibility should be retained to allow councils to explore joint procurement opportunities.

Q4. Do the clauses in Part 3 strike the right balance between ensuring independence in the audit process and minimising any burden on local bodies?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

Further comments:

The requirement for independent auditor panels is both excessive and unnecessary and runs contrary to the Government's agenda around devolution and localism. There will still be a regulatory framework including the registration of auditors and monitoring of the quality of audits.

Politically balanced Audit Committees should be sufficient for this purpose.

Q5. Does Clause 11 provide sufficient flexibility to local bodies to set up joint panel arrangements and/ or put in place other arrangements to suit local circumstances?

Yes	<input type="checkbox"/>
No	<input checked="" type="checkbox"/>

Further comments:

It goes some way to achieving this but there seems to be an inconsistency in relation to the ability to be able to use existing committees in the role but also making sure they are independent and therefore cannot have been a member or officer of the body for five

years.

Q6. Does the draft Bill strike the right balance in terms of prescription and guidance on the role of auditor panels?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

Further comments:

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Q7. Do you have any comments on the proposals set out in paragraphs 26-34 of the consultation document on removal and resignation?

Comments:

Paragraph 28 caused the confusion referred to above stating that existing audit committees can become the independent auditor panel but only if they meet the requirement for the auditor panels one being that they cannot have been an officer or member of the body for at least the last five years.

Part 4 - Eligibility and regulation of auditors

Q8. Do you have any comments on the clauses in Part 4 or Schedules 3 and 4?

Comments (please state clearly which clauses you are referring to):

Generally supportive of the proposals set out in Part 4 which provide for closer alignment with the arrangements for the private sector.

Q9. Do you agree with the proposed definition of connected entities in clause 20?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

Further comments:

No further comments

Q10. Do you have any views on how major audits should be defined in regulations?

Comments:

It is difficult to understand the intention of the Government in this respect and therefore to be able to give a considered view on what a 'major audit' could be defined as is not possible.

Part 5 - Conduct of audit

Q11. Do you have any comments on the clauses in Part 5?

Comments (please state clearly which clauses you are referring to):

The Council agrees that in conjunction with the LGA and professional accountancy bodies that the National Audit Office is best placed to prepare the code of audit practice.

The Council believes that the scope of the audit should be more tightly focussed around the accuracy of the financial statements and issues of probity.

Q12. Do you agree that public interest reports issued on connected entities should be considered by their 'parent' local body?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

Further comments:

No further comments

Part 6 - Data Matching

Q13. Do you have any comments on the clauses in Part 6?

Comments (please state clearly which clauses you are referring to):

The Council acknowledges the vital role and success of the National Fraud Initiative (NFI) to date in tracing fraud and overpayments and sees it as a valuable tool in combatting fraud.

The Council supports the continued use of the NFI.

It will be important that the organisation which assumes responsibility for this work has a broad outlook on fraud and is able to operate across the public and private sector.

Q14. Do you have any views on the new owner(s) of the National Fraud Initiative?

Comments:

As the DWP will be seeing fraud investigators transferred to them under the Single Fraud Investigation Service (SFIS) proposals it make sense for the NFI arrangements to become part of this service.

Part 7 - Inspections, studies and information

Q15. Do you have any comments on the powers provided to the Comptroller and Auditor General to undertake studies and access information within clause 94?

Comments:

It is acknowledged that there is a requirement that the Government can utilise inspection powers through the NAO if they are deemed to be required. We note that these powers are expected to be rarely used and support this approach. We would hope that incidences of the use of these powers will be few and far between and we hope that this arrangement will become unnecessary in the future as confidence in the sector to manage its own performance grows.

There is a danger that initiatives such as this could lead to over regulation of the sector which is strongly opposed.

Q16. Do you think that the National Audit Office should be able to undertake thematic value for money studies regarding all sectors whose bodies are subject to audit under this draft Bill?

Yes	<input type="checkbox"/>
No	<input checked="" type="checkbox"/>

Further Comments:

See comments below particularly in relation to Clause 94 (1) (3) (b)

Q17. Do you have any comments on the other clauses in Part 7 or Schedule 5?

Comments

There is scope for reducing and rationalising the number of national value for money studies.

The benefit of the previous Value for Money regime is questionable.

The Council feels that the NAO does have a role to play in Value for Money studies relating to Government Departments establishing if the funding provided to Councils represents an economic, efficient and effective use of resources as set out in Clause 94 (1) (3) (a) of the draft bill and that such Value for Money studies should:

- Be limited to a maximum of six per year**
- There must be consultation and agreement with the sector on the theme of the studies in advance**
- The NAO must have regard to studies that the sector itself, including bodies such as the Local Government Association, may commission as part of sector led improvement.**

In addition it is essential that the NAO should not investigate and make judgements about the performance of individual local authorities or indeed classes of local government.

Whilst the NAO will bring a new perspective on this work care needs to be taken to avoid 'mission creep'

The NAO's primary role is to challenge Government departments to account for the way they use public money and this should continue to be their focus.

However, we are very concerned about the proposal contained in Clause 94 (1) (3) (b) for the NAO to have a role in undertaking studies around local authority improvement which could lead to duplication of the sector's own arrangements.

The Council believes that it is simply not appropriate for the NAO to undertake this type of study around improvement in local government. The sector itself is better placed to do this working with organisations

such as the LGA.

Consequently we believe that Clause 94 (1) (3) (b) should be deleted from the bill.

Impact Assessment:

Q18. Does the impact assessment identify the main drivers on fees?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

Are there any other drivers on fees?:

They appear to cover the main cost drivers although it is difficult to comment with out seeing all of the detailed plans behind the figures.

Q19. Are the estimates of local bodies' compliance costs realistic?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

Further comments:

Difficult to assess with any certainty but based on the information contained within the consultation document they look reasonable.

Q20. Are the estimates of the costs and benefits to businesses realistic?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

Further comments:

Difficult to assess with any certainty but based on the information contained within the consultation document they look reasonable.

Proposals for Smaller Bodies

Q21. Do you agree that the threshold below which smaller local public bodies should not be subject to automatic external audit should be £25,000?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

Further comments:

No strong view on this but a threshold of £25,000 as opposed to the previous proposal of £1,000 seems to be a sensible move.

Q22. Are the additional transparency requirements we have proposed for those bodies who will not be subject to external audit robust enough to ensure that they will be accountable to the electorate?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

Further comments:

Though there is some concern that the smallest bodies may not have their own website (though inclusion on billing authority's website is acknowledged) and may not have the skills set to prepare and publish such information if they do.

Q23. Are these transparency requirements proportionate to the low levels of public money these bodies are responsible for?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

What steps will smaller bodies need to take in complying with these new requirements? :

No strong view but they appear reasonable subject to the comments made at Q22.

Q24. Do you agree that our proposals for the eligibility of auditors of smaller local public bodies will ensure that they have the requisite expertise to undertake limited assurance audits?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

Further comments:

No further comments

Q25. Are our proposals for the regulatory framework for the audit of smaller bodies proportionate?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

Further comments:

They appear to be

Q26. Do these proposals provide a proportionate and sufficiently flexible mechanism for procuring and appointing audit services to smaller local public bodies?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

Further comments:

They appear to and it seems they have ben developed in conjunction with representative bodies which is an approach this Council advocates.

(c) Additional questions

Do you have any other comments you wish to make?

END

CIPFA Better Governance Forum

The Draft Local Audit Bill - comparison to the key statements in the published Government Response (January)

In January 2012 the Government published its response to the consultation carried out in 2011 on the future of local public audit. DCLG also held regional engagement workshops to explore key issues with local government practitioners. The draft Bill was published on 6 July for further consultation, with a closing date of 31 August.

The aim of this analysis is to trace how the key areas outlined by the Government in its response published in January 2012 have been developed into the draft Bill. The draft Bill was published along with explanatory notes and a policy overview to explain the Government's intentions in the draft Bill.

The analysis does not aim to be a comprehensive summary of the entire draft Bill but features the main areas of interest. Some clauses vary according to organisation type and this analysis focuses on the main provisions rather than listing all variations in application.

As a general comment the key principles have not significantly changed since the Government's response in January. It should also be noted that a significant number of areas will be subject to further regulations from the Secretary of State. Until these are published the detailed application of the new legislation may not be fully apparent.

This briefing has been produced by the CIPFA Better Governance Forum to help inform its subscribers in their reading of the draft Bill. It does not constitute any part of CIPFA's formal response to the consultation.

If you have any queries arising from this analysis please contact Diana.Melville@cipfa.org.uk

Key Area	Government Response	Draft Bill	Points to note
Regulation			
Code of Practice	<p>Government intention was for the National Audit Office to produce the Code of Practice.</p> <p>NAO provide annual and in-year guidance to achieve consistency.</p> <p>Guidance should be principles based and not prescriptive.</p>	<p>The Comptroller & Auditor General will prepare a code or codes if more than 1 is required for different bodies.</p> <p>There will be a requirement to consult representatives of the bodies being audited, the auditors and professional accountancy bodies.</p> <p>A new code must be produced at least once every 5 years.</p>	
Regulation of auditors	<p>The Financial Reporting Council to be the overall regulator.</p> <p>The Secretary of State to have powers to authorise professional accountancy bodies to act as Recognised Supervisory Bodies for local public audit. In practice, the Secretary of State will delegate these powers to the Financial Reporting Council.</p> <p>For monitoring and enforcement the response recommended that Responsible Supervisory Bodies would be mainly responsible. With Audit Inspection Unit of FRC playing a role for bodies of Significant Public Interest.</p> <p>All eligible local public auditors will be placed on a register, which will be kept by the Recognised Supervisory Bodies.</p> <p>No specific regulations mentioned to ensure that firms registered for local audit work would meet specific criteria e.g. experience.</p>	<p>The Draft Bill provides for the delegation of functions from the Secretary of State to a new or existing body. Schedule 4 of the Bill requires an annual report on the discharge of its functions to be made to the Secretary of state and published to Parliament.</p> <p>Using their delegated powers the FRC will be able to authorise professional accountancy bodies to be recognised supervisory bodies in respect of local public audit.</p> <p>The draft Bill creates an offence of acting as a local auditor when not eligible to do so.</p> <p>The draft Bill sets out independence requirements so that an officer or member of an authority cannot be appointed as its auditor. This also applies to holders of corporations sole such as Police & Crime Commissioners. Partners and employees of officers & members are also proscribed from acting as</p>	<p>The overview of the Bill makes plain the Government's intentions to delegate overall regulation to the Financial Reporting Council.</p> <p>Auditors need to be seen as independent so the content of the regulations will be interesting.</p> <p>In particular will the independence requirement apply solely to the nominated auditor responsible for the audit</p>

		<p>auditor. The Secretary of State will have powers to make regulations that may define other 'connections' that could be deemed to compromise independence.</p> <p>The Register of those individuals and firms eligible to act as local auditors will be based on the possession of a recognised qualification. Schedule 3 to the Bill outlines the requirements on the Recognised Supervisory Bodies to ensure that those registered are competent to undertake local audit and are fit and proper persons to do so. The Bill does allow for the register to contain other information - to be specified in regulations. The Secretary of State will also have power to make regulations over the disclosure of controls over the quality and independence of local audit work.</p> <p>Arrangements for monitoring and enforcement are set out in Schedule 3 also. These include an inspection at least once every 6 years of their local audit work. An annual report on inspections is to be provided to the Secretary of State. Inspections of a firm with a quality assurance policy will cover all the eligible auditors employed by that firm.</p> <p>The policy overview accompanying the bill states that the FRC will have responsibility for monitoring the quality of 'major audits'. Which bodies will have their audits defined as 'major audits' will be defined by regulations by the Secretary of State.</p>	<p>or will it also apply to all audit staff engaged on the contract?</p> <p>Apart from ensuring professional competence through qualification and professional membership, Recognised Supervisory Bodies will need to have regard to the regulations.</p> <p>The definition of what constitutes a major audit is one of the specific questions in the consultation.</p>
Scope of the audit	<p>The Government proposed keeping the current requirements for auditors to satisfy themselves that:-</p> <ul style="list-style-type: none"> the accounts have been prepared in accordance with the necessary directions or regulations and comply 	<p>The draft Bill stipulates the continuation of the following 3 requirements of the audit scope.</p> <ul style="list-style-type: none"> It requires the auditor to be satisfied that the relevant authority's statement of accounts have been prepared in accordance with the relevant legislative requirements; 	<p>The draft bill does not show any change to the Government's thinking about the scope of the audit but it does not set out how the assessment of value for money in a 'risk based and proportionate approach' will be</p>

	<p>with relevant statutory requirements;</p> <ul style="list-style-type: none"> proper practices have been observed in the compilation of the accounts; and the body has made proper arrangements for securing economy efficiency and effectiveness (value for money) in its use of resources. <p>The Government commented that it considered that the value for money component of the audit could be delivered in a more risk based and proportionate way. This would have the potential for a consequent decrease or increase on the level of audit work some local public bodies might see as a result. This issue was explored further by the National Audit Office at the Engagement Workshops hosted by DCLG in the Spring.</p>	<ul style="list-style-type: none"> that proper practices have been observed in the compilation of the statement of accounts; and that the relevant authority has made proper arrangements for securing economy, efficiency and effectiveness in the use of its resources. <p>In the Policy Overview published alongside the draft Bill the Government states that the National Audit Office will set out more detailed requirements within the code of audit practice and related guidance.</p>	<p>achieved in practice.</p> <p>Clearly every public body should be ensuring that it does have proper arrangements for securing value for money, the issue is how the auditors will be able to satisfy themselves that this is the case in order to give an opinion in accordance with the code.</p> <p>This is an area where further detail will emerge as the National Audit Office start to prepare the code.</p>
Commissioning Local Audit Services			
<p>Duty to appoint, rotation of auditors and failure to appoint</p>	<p>The Government proposed that all local public bodies with income/expenditure over a threshold (currently £6.5m) will be under a duty to appoint an auditor from the register of local auditors.</p> <p>The original consultation included a proposal to limit the appointment to a maximum of 10 years. This did receive majority support although some concerns were raised that it would be a barrier to new entrants. The Government therefore proposed not to introduce this requirement.</p> <p>The proposals suggested that authorities</p>	<p>The appointment must be made by 31 December the preceding year to which the audit relates.</p> <p>The appointment may be for more than 1 year but a further appointment must be made at least once every 5 years. The authority may re-appoint the auditor.</p> <p>The relevant authority must publish a notice within</p>	<p>The FRC is currently consulting on changes to the UK Code of Corporate Governance. This includes a new requirement that FTSE350 companies should put the external audit contract out to tender at least every 10 years.</p> <p>The merits and issues around the rotation of auditors is</p>

	<p>should publish details of their appointment of an auditor and also the recommendations of the panel. If the local public body did not follow the advice of the Panel in making its appointment, it would be required to publish on its website a statement setting out the reasons why it had chosen not to follow that advice.</p> <p>The Government proposed that an authority would be required to advise the Secretary of State where they have failed to appoint an auditor and the Secretary of State would then have powers to either direct them to make the appointment or to appoint an auditor for them. The response also suggested that there might be a sanction for failing to appoint.</p>	<p>28 days of the appointment that it has made the appointment, identifies the appointed auditor, the advice given by the Panel and reasons if the authority has not followed the advice. The notice is to be published on the website.</p> <p>The draft Bill gives the Secretary of State the power to direct and authority to appoint or to make an appointment if the body has failed to do so.</p>	<p>currently a hot topic so it will be worth following developments in this area as changes in the UK code may influence future legislation.</p> <p>There is no provision for a sanction in the bill.</p>
Auditor Panels - role	<p>The Government proposed that authorities would appoint their auditor through Full Council taking into account the advice of an Auditor Appointment Panel.</p> <p>The Government proposal was to provide for a limited set of functions on the Independent Audit Appointment Panel in legislation, around advising on auditor appointment, independence, removal and resignation, and in relation to public interest reports.</p> <p>The Government also proposed to allow flexibility for local public bodies to suit their own circumstances, and facilitate joint working and joint commissioning between local public bodies.</p>	<p>The Bill requires each relevant authority to have an auditor panel to exercise the functions of an auditor panel under the Bill.</p> <p>The functions of the Panel are:</p> <ul style="list-style-type: none"> • To advise the authority on the maintenance of an independent relationship with its auditor; • To advise the authority on the selection and appointment of an auditor to audit its accounts. <p>Both of these duties must be carried out when requested by the authority or if the Panel itself chooses to make the advice.</p> <p>In addition the Panel can be requested by the auditor to advise on the authority's proposal to enter into a liability limitation agreement or a proposal to make a public interest report. Advice from the Panel should be published locally.</p>	<p>Guidance / regulations will support their interpretation of the statutory functions and also determine how they can be combined with other functions required by the authority.</p> <p>The bill does not specifically refer to the role of the panel in the removal or resignation of the auditor but this may fall within the broad responsibility to advise on the maintenance of an independent relationship.</p> <p>The policy overview states that the draft Bill does not replicate the Company's Act requirements around the rotation of the key</p>

		<p>The Secretary of State will have powers to make regulations on the role of the Panels and authorities and Panels will be required to follow it.</p>	<p>audit partner or the provision for the auditor to report on issues surrounding their independence to the body's audit committee. The Government envisage the Panel undertaking this role through its duty to advise on the maintenance of an independent relationship. Further details will be set out in regulations.</p> <p>The Bill allows a reasonable amount of flexibility in the use of Panels including joint arrangements. There are also minimum safeguards in the independence of its membership.</p>
<p>Auditor Panels – appointment & powers</p>	<p>The Government proposed that the Independent Audit Appointment Panel should be independently chaired, with a majority of independent members. Where the body already has an independent audit committee, they may wish to use that committee to meet this requirement.</p>	<p>A suitable Auditor Panel can be appointed by an authority or appointed jointly with other authorities. It may also be a committee of the authority if it complies with the requirements of the Panel. It may also be a committee of another authority if that committee fulfils the requirements of a Panel.</p> <p>The Panel must have a majority of independent members and must be chaired by an independent member.</p> <p>The definition of independent is:</p> <ul style="list-style-type: none"> • not been a member or officer of the authority within the period of 5 years; • not at that time a relative or close friend of a member or officer of the authority; <p>Further details of the makeup of the panel and provisions for appointment, term of office, remuneration etc. may be set out in regulations by</p>	<p>In taking forward the establishment of a Panel then the authority will need to ensure not just compliance with the legislation and any subsequent regulations but also how to ensure the Panel is effective in fulfilling its functions and how it will operate alongside other governance arrangements – notably existing audit committee arrangements. Another factor will be whether the Panel is seen to be sufficiently independent by the public and stakeholders.</p>

		<p>the Secretary of State.</p> <p>The draft Bill also sets out some of the powers of the panel. These include:</p> <ul style="list-style-type: none"> • The authority must provide to the panel any documents or information the panel requires to exercise its functions. • The panel can require any member or officer to come to its meetings to answer questions • The member or officer should comply with the panel requirement except where they would be entitled to refuse to answer in a court of law. 	
<p>Resignation and removal of auditors</p>	<p>The government proposals for either the resignation or removal of the auditor were:</p> <ul style="list-style-type: none"> • Issue of 28 days' notice (by authority for removal or by auditor for resignation) to the other party and to the Panel. • Preparation of a written response which would also be sent to the Panel. • The Panel would have a role to investigate the response and in the case of proposed removal to advise the authority. • The resigning auditor's statement would be published on the website and the regulatory bodies informed. • Removal of auditors would require consideration of the Panel's comments and a decision by Full Council. • The decision would need to be published on the website. 	<p>The draft Bill states that the Secretary of State may make regulations about the resignation or removal of the auditor.</p> <p>The regulations may cover the:</p> <ul style="list-style-type: none"> • The steps to be taken • Timescales • Role of the panel or for recognised Supervisory Body <p>The regulations will also cover steps that need to be taken before a new auditor is appointed.</p>	<p>More regulations are required to set out the detail of the process to follow.</p> <p>However, in the policy overview the Government does say in the case of resignation, the auditor would need to make a statement to the authority, the panel and its supervisory body. The authority would then need to publish its response to that statement.</p> <p>In respect of removal the authority would need to give the auditor and the panel the notice including a statement of reasons. The auditor's response would also be considered by the panel. The body's decision to terminate would be subject to the advice of the panel.</p> <p>As the bill does not contain full details it is not clear if the</p>

			regulations will require the removal to be by Full Council as originally proposed.
Auditor Liability	The Government considers that auditor liability should be an issue to be dealt with in the contractual negotiations between the auditor and audited body. The Government will also consider the feasibility and necessity of a supporting statutory framework which could set out the process for agreeing liability limitation agreements.	The Secretary of State will make regulations to cover the terms of Liability Limitation Agreements and any agreement negotiated must comply with the regulations. A relevant authority must consult and take into account the views of its auditor panel before entering into an agreement.	Although the advice of the panel is to the authority, section 13.5 seems to suggest that only the auditor can request that the panel gives advice in respect of the LLA.
Public Reporting & Transparency			
Public Interest Reporting and other recommendations	Government intends to retain the duty for auditors of all local public bodies to undertake Public Interest Reporting under the new framework.	<p>Key points to note are:</p> <ul style="list-style-type: none"> • The auditor must consult the auditor panel before making the public interest report. • Auditors making public interest reports on connected entities will supply them to the 'parent' body for consideration. • The auditor will need to send a copy of the report to the Secretary of State. • A new requirement to publish the report on the website along with details of a meeting held to consider the report. • A copy of the public interest report (PIR) must be sent to the audit panel. Note this responsibility lies with the body receiving the report not the auditor making it. • The audited body must advise the auditor of decisions taken in relation to the report and also to publicise them. <p>Section 64 refers to written recommendations by the auditor following the completion of audit. Such recommendations have to be reported to the Secretary of State also and considered at a meeting of the authority within 1 month of the date of receipt.</p>	<p>Although the panel must be consulted by the auditor before issuing the PIR and the authority must inform the panel of the PIR, the panel itself does not have any decision making role in relation to the PIR or direction of action to take in response to the PIR.</p> <p>The Secretary of State has powers to make regulations in this area and this may provide some clarification of the auditor recommendations this clause</p>

		Clause 69 prevents the delegation of functions in relation to PIR or written auditor recommendations to an executive or other committee.	relates to. For example would it apply to all recommendations contained in the ISA260 report?
Non audit services	The Government considers that the current ethical standards provide sufficient safeguards for auditor independence. We therefore propose to enable auditors to provide non-audit services to the audited body, subject to adhering to the ethical standards produced by the Auditing Practices Board and gaining approval to undertake the work from the Independent Auditor Appointment Panel.	The draft Bill does not specifically mention non-audit services and appropriate safeguards.	Regulations to be issued by the Secretary of State may include guidance on non-audit services as part of the Panel's responsibility to advise on the maintenance of an independent relationship.
Public Interest Disclosure	The Government envisaged transferring the Audit Commission's PIDA responsibilities as designated persons to the appointed auditor and the panel.		There is no mention of this in the draft Bill. This may come through in further bills or in other legislation.
Transparency and inspection of accounts	The Government proposed to retain the right to object to the accounts but to provide a power to give the auditor discretion to reject vexatious, repeated or frivolous objections.	The draft Bill retains the right to inspect the accounts and auditor reports in the form of a new duty on the local authority to make them available. During the audit any interested person has the right to inspect supporting accounting records and documents. A local elector will be able to raise objections to the account in relation to a matter that could lead to public interest disclosure or lead to an auditor notice. The local auditor can consider whether to take action in response to the objection but will have the power to not consider the objection if it is frivolous, vexatious or repeats an objection previously made	

		& considered by the auditor.	
Freedom of Information	Following on from its consultation the Government said it would not be including auditors within the remit of the FOIA.	There is no provision to include auditors within the remit of FOIA but in delegating powers to regulate the supervision of auditors the Secretary of State brings the delegated body within the remit of FOIA.	This would apply for powers delegated to the FRC.
Other functions of the Audit Commission			
Grant certification	The response document stated that 'Following the Audit Commission's closure, grant paying bodies for new grants will need to develop separate arrangements, either in the form of free-standing tripartite agreements (between the grant paying body, the payee and its auditor) or self-certification.'	There are no provisions in the draft Bill but the Government has repeated their intention to phase out existing certification requirements.	Where there is a need to procure external audit certification to meet the assurance requirements of a grant then this will need to be identified and procured as an external audit service.
National Fraud Initiative	The Government confirmed its support for the continuation of the NFI and stated it would develop proposals for delivery.	<p>The draft Bill transfers the Audit Commission's data-matching powers to the Secretary of State who will then delegate them to an operational provider. Three candidates are identified in the policy overview:</p> <ul style="list-style-type: none"> • National Fraud Authority • Department for Work & Pensions • Cabinet Office. <p>Local public bodies will continue to be required to provide data for data matching purposes through a new duty.</p> <p>The policy overview states that it will be up to individual bodies to follow up their matches.</p> <p>The Secretary of State will be required to draw up a code of data matching practice.</p>	<p>The draft Bill does not contain any sanctions for failure to follow up the data matches.</p> <p>Question 14 in the consultation response form asks for views on who the owners of the NFI should be.</p>

<p>Inspections & national studies</p>	<p>The government response commented: 'We consider that there is scope for rationalisation in the number of value for money studies published relating to the local public sector compared to the number previously undertaken. We would like to see a coherent and complementary programme of offerings across providers including the National Audit Office, central Government and the Local Government Association.'</p>	<p>The draft Bill contains an amendment to the Local Government Act 1999 giving the power to the Secretary of State to appoint an inspector for an inspection of compliance with best value duties. The policy overview comments 'We envisage that this power would be rarely used, only where there are concerns about significant governance failure in a local authority.'</p> <p>Part 7 clause 93 amends the National Audit Act 1983 to provide a new power to the Comptroller and Auditor General to undertake studies regarding the economy, efficiency and effectiveness with which the English local government sector has used resources in undertaking its functions.</p>	<p>The explanatory notes say that the intention of thematic reviews across local authorities is to enhance the assurance work the NAO provides to Parliament and support learning across the sector.</p>
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Additional matters:

Matters not included in the Government's response document published in January but included in the draft Bill, include the following:

- Right of access to information. The draft Bill retains the right of auditors to access document and information, including rights of access to connected entities. It will be a criminal offence to prevent the local auditor from having access to any information required. Set out in Part 5 clauses 61-62.
- Auditor's power to issue Advisory Notices & have an item of account declared unlawful. Auditors will retain the right to apply to the court if they believe an item in the accounts is unlawful. The auditor can also issue an advisory notice if the auditor thinks the body is making a decision or taking a course of action that is unlawful. Full details are in Part 5 clauses 76-80.

Key areas that will be covered by regulations from the Secretary of State:

- Role, make up and appointment of the auditor panel;
- Independence in the appointment of auditors;
- Resignation & removal of auditors;
- Liability Limitation Agreements
- Definition of 'major audits' for enhanced monitoring by the regulator;
- Public interest reports and auditor recommendations.

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Accounts, Audit and Risk Committee

Treasury Management Annual Report 2011/12

19 September 2012

Report of Head of Finance and Procurement

PURPOSE OF REPORT

To receive information on treasury management performance and compliance with treasury management policy during 2011/12 as required by the Treasury Management Code of Practice.

This report is public

Recommendations

The Committee is recommended:

- (1) To note the performance of the Council's Fund Managers during 2011/12

Executive Summary

- 1.1 The annual report is a requirement of the Council's reporting procedures. It covers the treasury activity during 2011/12 and the actual performance against Prudential Indicators for 2011/12.
- 1.2 The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. During 2011/12 the reporting requirements were that members receive an annual treasury strategy in advance of the year, a mid year treasury report and an annual report describing the activity compared to the strategy. The Accounts, Audit and Risk Committee has been nominated to scrutinise the treasury activity of the Council and they receive regular reports on compliance with strategy and a comprehensive overview of investments made.
- 1.3 The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

Background Information

- 2.1 Councils invest money from the sale of assets and invest Government revenue grant paid to councils in regular intervals, before they have to spend it. This is with the aim of earning interest to support services and keep council tax down. All investments are placed to ensure security of investments firstly, followed by liquidity and the final consideration is yield.
- 2.2 Cherwell District Council sold its housing stock on 29th March 2004 and this generated a substantial capital receipt. It is the Council's capital receipts and useable reserves that are being invested. As the Council continues to invest in infrastructure throughout the district these balances will reduce.

Annual Treasury Performance 2011/12

- 2.3 The actual return on investments for 2011/12 was £1.230m compared with a budget of £0.723m a positive variance of £0.507m. However approximately £216k of the interest received is in respect of the investment of Eco Town funds and this has been allocated back to the Eco Town funding pot.

The budget was based on an average investment balance of £68m and an interest rate of 1.06%. The actual average balance was £72.56m which attracted an average return of 1.70%.

The financial year 2011/12 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk.

Our Treasury Management Annual Report can be seen in Appendix 1. During 2011/12 the Council complied with all of its legislative and regulatory requirements.

Iceland Investments

The Council was one of over 100 local authorities that were affected by the collapse of Icelandic banking institutions. The Council held a total of £6.5 million in 3 investments with Glitnir.

The Icelandic Government stated its intention to honour all its commitments as a result of their banks being placed into receivership. The U.K. Government has been working with the Icelandic Government to help bring this about. At the current time, Cherwell District Council has received repayment of £5.7m of the initial capital investment of £6.5m with the balance of £729k remaining frozen in a deposit account earning interest. We continue to have discussions with the LGA and Bevan Brittan on the potential for transfer to the UK.

Investment performance for period up to 31st August 2012:

Fund	Amount at 31st August 2012	Interest Budget	Actual Interest	Variance	Rate of return %
TUK	£10,500,000	£56,586	£78,844	£22,258	1.90%
Investec	£11,742,224	£35,937	£54,159	£18,222	1.20%
In House	£62,555,835	£271,458	£319,660	£48,201	1.38%
Total	£84,798,059	£363,982	£452,664	£88,682	1.40%

At the end of August 2012, interest received was 24% more than budgeted and shows a positive result across all three funds. This was mainly due to higher than planned balances when creating the budget as we had a higher level of capital programme slippage from 2011/12, obtaining better than projected rates from our investments, and the change in allocation of funds between TUK, Investec and in-house.

Key Issues for Consideration/Reasons for Decision and Options

3.1 This report illustrates the Council's Treasury performance for 2011/12 against budget and includes the Annual Treasury Report 2011/12.

The following options have been identified.

- Option One** To review current performance levels and consider any actions arising.
- Option Two** To approve or reject the recommendations above or request that Officers provide additional information.

Consultations

The investment strategy has been subject to regular review with members through the Accounts , Audit and Risk Committee and quarterly budget monitoring to the Executive.

Implications

- Financial:** Comments checked by Karen Curtin, Head of Finance & Procurement
- Legal:** Presentation of this report is in line with the CIPFA Code of Practice.
Comments checked by Kevin Lane, Head of Law and Governance 01295 221686
- Risk Management:** It is essential that this report is considered by the Executive as it demonstrates that the risk of not complying with the Council's Treasury Management Policy has been avoided.

Wards Affected

All

Corporate Plan Themes

An accessible, value for money Cherwell

Executive Portfolio

Councillor Ken Atack
Lead Member for Financial Management

Document Information

Appendix No	Title
Appendix 1	Treasury Management Annual Report 2011/12
Appendix 2 / 3	August Investment Reports - EXEMPT
Background Papers	
CIPFA Treasury Management Code of Practice 2011/12 Treasury Strategy 2011/12 Budget Monitoring Reports	
Report Author	Karen Muir, Technical and Project Accountant
Contact Information	01295 221559 Karen.muir@Cherwell-dc.gov.uk

Annual Treasury Management Report 2011/12

Purpose

This Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2011/12. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2011/12 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 19 /03/2012)
- a mid year (minimum) treasury update report (Council 21/09/2011)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

In addition, this Council has received quarterly treasury management update reports by the Executive and Accounts, Audit & Risk Committees.

Recent changes in the regulatory environment place a much greater onus on members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Accounts, Audit & Risk Committee before they were reported to the full Council. Member training on treasury management issues was undertaken during the year on 02/06/2011 in order to support Members' scrutiny role.

Executive Summary

During 2011/12, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Prudential and treasury indicators	2010/11 Actual £000	2011/12 Actual £000
Capital expenditure	5,817	4,816
Capital Financing Requirement:	(5,817)	(4,816)
• Net borrowing	0	0
External debt	0	0
Investments		
• Longer than 1 year	5,535	5,041
• Under 1 year	57,733	61,973
• Total	63.268	67,014

Other prudential and treasury indicators are to be found in Annex 1 of this report. .

The financial year 2011/12 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk.

Introduction and Background

This report summarises:

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- Reporting of the required prudential and treasury indicators;
- Overall treasury position identifying the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed investment activity.

1. The Council's Capital Expenditure and Financing 2011/12

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed:

	2010/11 Actual £000s	2011/12 Actual £000s
Capital Expenditure	5,817	4,816
Total Capital expenditure	5,817	4,816
Resourced by		
Capital receipts	(4,509)	(3,938)
Government Grants & Other Contributions	(646)	(547)
Use of Reserves	(347)	(331)
Direct Revenue Financing	(315)	-
Total resources used	5,817	4,816

2. The Council's Overall Borrowing Need

The Council is debt free and does not currently have a borrowing requirement.

3. Treasury Position as at 31 March 2012

The Council's investment position is organised by the treasury management team in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the beginning and the end of 2011/12 the Council's treasury position was as follows:

	2010/11 Actual £000	2011/12 Actual £000
Investments		
Longer than 1 year	5,535	5,041
Under 1 year	57,733	61,973
Total	63.268	67,014

4. The Strategy for 2011/12

The expectation for interest rates within the strategy for 2011/12 anticipated low but rising Bank Rate (starting in quarter 4 of 2011) with similar gradual rises in medium and longer term fixed borrowing rates over 2011/12. Variable or short-term rates were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

The actual movement in gilt yields meant that PWLB rates fell sharply during the year and to historically very low levels. This was caused by a flight to quality into UK gilts from EU sovereign debt and also from shares as investors became very concerned about the potential for a Lehmans type meltdown of financial markets if the Greek debt crisis were to develop into a precipitous default and exit from the Euro.

5. The Economy and Interest Rates

Sovereign debt crisis. 2011/12 was the year when financial markets were on tenterhooks throughout most of this period, fearful of the potential of another Lehmans type financial disaster occurring, sparked off by a precipitous Greek default. At almost the last hour, the European Central Bank (ECB) calmed market concerns of a liquidity crisis among European Union (EU) banks by making available two huge three year credit lines, totalling close to €1 trillion at 1%. This also provided a major incentive for those same banks to then use this new liquidity to buy EU sovereign debt yielding considerably more than 1%.

A secondary benefit of this initiative was the bringing down of sovereign debt yields, for the likes of Italy and Spain, below panic levels. The final planks in the calming of the EU sovereign debt crisis were two eleventh hour agreements: one by the Greek Government of another major austerity package and the second, by private creditors, of a "haircut" (discount) on the value of Greek debt that they held, resulting in a major reduction in the

total outstanding level of Greek debt. These agreements were a prerequisite for a second EU / IMF bailout package for Greece which was signed off in March.

Despite this second bailout, major concerns remain that these measures were merely a postponement of the debt crisis, rather than a solution, as they did not address the problem of low growth and loss of competitiveness in not only Greece, but also in other EU countries with major debt imbalances. These problems will, in turn, also affect the financial strength of many already weakened EU banks during the expected economic downturn in the EU. There are also major questions as to whether the Greek Government will be able to deliver on its promises of cuts in expenditure and increasing tax collection rates, given the hostility of much of the population. In addition, an impending general election in April / May 2012 will deliver a democratic verdict on the way that Greece is being governed under intense austerity pressure from the northern EU states.

The UK coalition Government maintained its aggressive fiscal policy stance against a background of warnings from two credit rating agencies that the UK could lose its AAA rating. Key to retaining this rating will be a return to strong economic growth in order to reduce the national debt burden to a sustainable level, within the austerity plan timeframe. The USA and France lost their AAA ratings from one rating agency during the year.

UK growth proved mixed over the year. In quarter 2, growth was zero, but then quarter 3 surprised with a return to robust growth of 0.6% q/q before moving back into negative territory (-0.2%) in quarter 4. The year finished with prospects for the UK economy being decidedly downbeat due to a return to negative growth in the EU in quarter 4, our largest trading partner, and a sharp increase in world oil prices caused by Middle East concerns. However, there was also a return of some economic optimism for growth outside the EU and dovish comments from the major western central banks: the Fed in America may even be considering a third dose of quantitative easing to boost growth.

UK CPI inflation started the year at 4.5% and peaked at 5.2% in September. The fall out of the January 2011 VAT hike from the annual CPI figure in January 2012 helped to bring inflation down to 3.6%, falling further to 3.4% in February. Inflation is forecast to be on a downward trend to below 2% over the next year.

The Monetary Policy Committee agreed an increase in quantitative easing (QE) of £75bn in October on concerns of a downturn in growth and a forecast for inflation to fall below the 2% target. QE was targeted at further gilt purchases. The MPC then agreed another round of £50bn of QE in February 2012 to counter the negative impact of the EU debt and growth crisis on the UK.

Gilt yields fell for much of the year, until February, as concerns continued building over the EU debt crisis. This resulted in safe haven flows into UK gilts which, together with the two UK packages of QE during the year, combined to depress PWLB rates to historically low levels.

Bank Rate was unchanged at 0.5% throughout the year while expectations of when the first increase would occur were steadily pushed back until the second half of 2013 at the earliest. **Deposit rates** picked up in the second half of the year as competition for cash increased among banks.

Risk premiums were also a constant factor in raising money market deposit rates for periods longer than 1 month. Widespread and multiple downgrades of the ratings of many banks and sovereigns, continued Euro zone concerns, and the significant funding

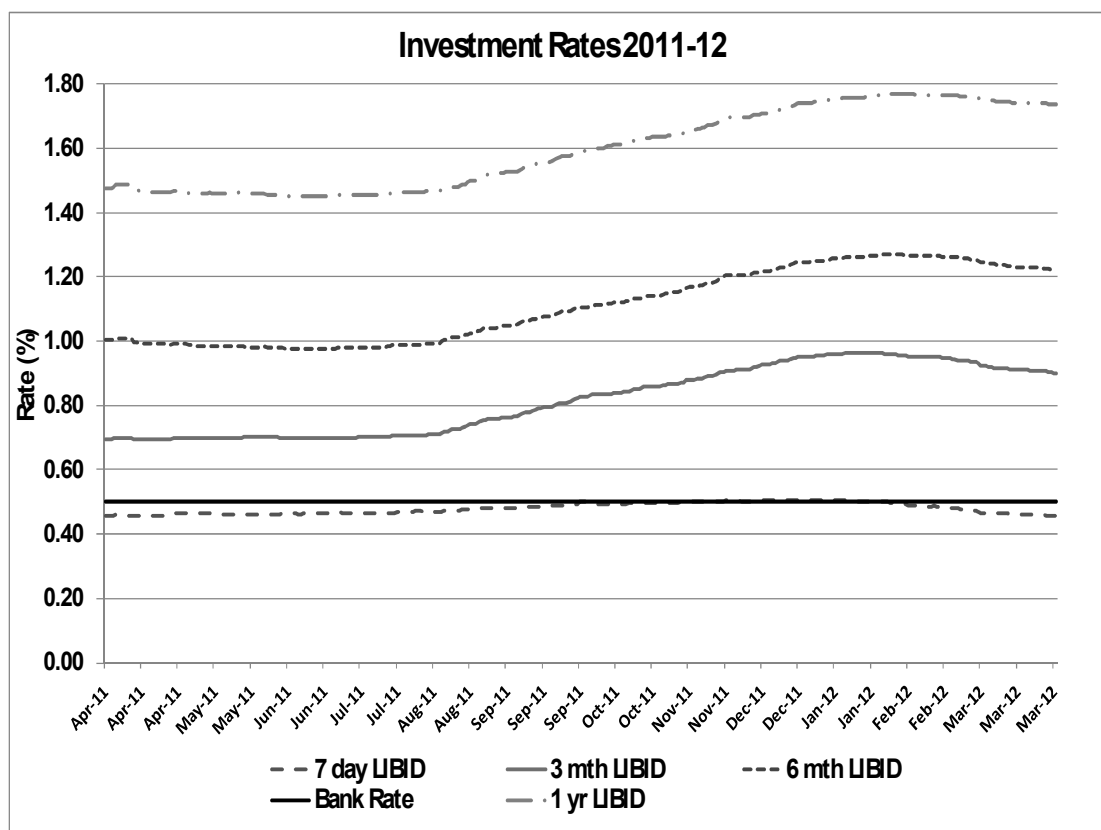
issues still faced by many financial institutions, meant that investors remained cautious of longer-term commitment.

6. Investment Rates in 2011/12

The tight monetary conditions following the 2008 financial crisis continued through 2011/12 with little material movement in the shorter term deposit rates. However, one month and longer rates rose significantly in the second half of the year as the Eurozone crisis grew. The ECB's actions to provide nearly €1 trn of 1% 3 year finance to EU banks eased liquidity pressures in the EU and investment rates eased back somewhat in quarter 1 of 2012. This action has also given EU banks time to strengthen their balance sheets and liquidity positions on a more permanent basis. Bank Rate remained at its historic low of 0.5% throughout the year while market expectations of the imminence of the start of monetary tightening was gradually pushed further and further back during the year to the second half of 2013 at the earliest..

Overlaying the relatively poor investment returns were the continued counterparty concerns, most evident in the Euro zone sovereign debt crisis which resulted in a second rescue package for Greece in quarter 1 2012. Concerns extended to the potential fallout on the European banking industry if the crisis could have ended with Greece leaving the Euro and defaulting.

Money market investment rates 2011/12						
	O vernight	7 Day	1 M onth	3 M onth	6 M onth	1 Year
01/04/2011	0.43688	0.45625	0.49563	0.69563	1.00313	1.47750
31/03/2012	0.43188	0.45719	0.57100	0.90188	1.22063	1.73806
High	0.54625	0.50531	0.65288	0.96456	1.27063	1.77175
Low	0.43000	0.45625	0.49563	0.69438	0.97625	1.45000
Average	0.44868	0.48009	0.56246	0.81756	1.11025	1.59673
Spread	0.11625	0.04906	0.15725	0.27018	0.29438	0.32175
Date	30/06/2011	30/12/2011	11/01/2012	12/01/2012	25/01/2012	25/01/2012
Date	14/03/2012	01/04/2011	01/04/2011	12/04/2011	11/06/2011	22/06/2011



7. Investment Outturn for 2011/12

Investment Policy – the Council's investment policy is governed by CLG guidance, which was been implemented in the annual investment strategy approved by the Council on 27/02/2012. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Investments held by fund managers – the Council uses 2 external fund managers to invest part of its cash balances. The performance of the managers against the benchmark return was:

Fund Manager	Balance 01/04/2011	Balance 31/03/12	Return
In House	23,497	43,824	597
Tradition UK	22,500	10,500	411
Investec	20,548	11,548	222
Total	£66,545m	£65,872m	£1,230m

The actual return on investments for 2011/12 was £1.230m compared with a budget of £0.723m a positive variance of £0.507m. However approximately £216k of the interest received is in respect of the investment of Eco Town funds and this has been allocated back to the Eco Town funding pot.

The budget was based on an average investment balance of £68m and an interest rate of 1.06%. The actual average balance was £72.56m which attracted an average return of 1.70%.

8. Icelandic Bank Defaults

The Council was one of over 100 local authorities that were affected by the collapse of Icelandic banking institutions. The Council held a total of £6.5 million in 3 investments with Glitnir.

The Icelandic Government stated its intention to honour all its commitments as a result of their banks being placed into receivership. The U.K. Government has been working with the Icelandic Government to help bring this about. At the current time, Cherwell District Council has received repayment of £5.7m of the initial capital investment of £6.5m with the balance of £729k remaining frozen within Iceland to be repaid.

Annex 1 - Prudential and Treasury Indicators

(As per Treasury Management Strategy approved 27th February 2012)

Existing Investment & Debt Portfolio Position

	31/01/12 Actual Portfolio £m
External Borrowing:	
- Total External Borrowing	0
Other Long Term Liabilities:	
- Finance Leases	0
Total Gross External Debt	0
Investments:	
Managed in-house	
- Short-term monies (Deposits/ monies on call / MMFs)	51,755
- Long-term investments	5,000
Managed externally	
- By Fund Managers	23,000
- Pooled Funds (please list)	0
Total Investments	79,755

Background

It is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

Net Borrowing and the Capital Financing Requirement

This is a key indicator of prudence. In order to ensure that over the medium-term net borrowing will only be for a capital purposes, the local authority needs to ensure that the net external borrowing does not (except in the short term) exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.

The Director of Resources reports that the authority had no difficulty meeting this requirement in 2011-12, nor is there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

Estimates of Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, considers the impact on council tax.

The council's capital expenditure plans are summarised below and this forms the first of the prudential indicators. This total expenditure can be paid for immediately by resources such as capital receipts, capital grants etc. However, where these resources are insufficient any residual expenditure will form a borrowing need.

	2010/11 Actual £000s	2011/12 Actual £000s	2012/13 Estimated £000s	2013/14 Estimated £000s	2014/15 Estimated £000s
Capital Expenditure	5,817	4,816	13,761	4,712	2,583
Financed by:					
Capital receipts	(4,509)	(3,938)	(12,107)	(4,712)	(2,583)
Capital grants and other contributions	(646)	(547)	(375)	-	-
Revenue funded reserves	(347)	(331)	(1,279)	-	-
Direct Revenue Financing	(315)	-	-	-	-
Net financing need for the year	-	-	-	-	-

Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs.

The definition of financing costs is set out in the Prudential Code. The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2011-12 Approved %	2011-12 Revised %	2012-13 Estimate %	2013-14 Estimate %	2014-15 Estimate %
Total	0	0	0	0	0

Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and its financing.

The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of council's underlying borrowing need. The council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments.

The council is debt free and has no plans to enter into any long term debt arrangements. As such this section is largely irrelevant but is included for completeness if there was a decision to go back into debt. Therefore, the council has a nil Minimum Revenue Provision for 2011/12.

The council is asked to **approve a NIL CFR projection.**

Actual External Debt

This indicator is obtained directly from the council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2011	£m
Borrowing	0
Other Long-term Liabilities	0
Total	0

Incremental Impact of Capital Investment Decisions

This is an indicator of affordability that shows the impact of capital investment decisions on the council tax. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	2011-12 Estimate £	2012-13 Estimate £	2013-14 Estimate £	2014-15 Estimate £
Increase in Band D Council Tax	0.36	-0.44	0.23	0.13

The council's capital plans, as estimated in forthcoming financial years, have a neutral impact on council tax. This reflects the fact that capital expenditure is predominantly financed from internal resources (grants, contributions, revenue and capital receipts) and that any increase in the underlying need to borrow is supported through the Revenue Support Grant system.

Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the council has adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
The council is to approve the adoption of the CIPFA Treasury Management Code at its Full Council meeting on 27 th February 2012.

The council has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.

This council is aware that there is now a new indicator on net debt which has been considered; however, this is not detailed further as the council have no plans to go into debt during the 2012-13 financial year.

Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

These indicators allow the council to manage the extent to which it is exposed to changes in interest rates.

The upper limit for variable rate exposure has been set to ensure that the council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments:

	Existing level (or Benchmark level) at 31/03/11 %	2011-12 Approved £m or %	2011-12 Revised £m or %	2012-13 Estimate £m or %	2013-14 Estimate £m or %	2014-15 Estimate £m or %
Upper Limit for Fixed Interest Rate Exposure	-£0.030	-£0.030	-£0.030	-£0.030	-£0.030	-£0.030
Upper Limit for Variable Interest Rate Exposure	-£0.012	-£0.012	-£0.012	-£0.012	-£0.012	-£0.012

The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the council's treasury management strategy.

As the council's investments are substantially in excess of its borrowing, these calculations have resulted in a negative figure.

Maturity Structure of Fixed Rate borrowing

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

Maturity structure of fixed rate borrowing	Existing level (or Benchmark level) at 31/03/11 %	Lower Limit for 2012/13 %	Upper Limit for 2012/13 %
Less than twelve months	0%	0%	100%
12 months – 10 years	0%	0%	100%
10 years plus	0%	0%	100%

Credit Risk

The council considers security, liquidity and yield, in that order, when making investment decisions with Security the most important. With the uncertainty in market, the council is seeking to place investments for a short term and is effectively forgoing return in order to protect capital.

Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the council's assessment of counterparty credit risk.

The council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution
- Sovereign support mechanisms
- Credit default swaps (where quoted)
- Share prices (where available)
- Economic fundamentals, such as a country's net debt as a percentage of its GDP)
- Corporate developments, news, articles, markets sentiment and momentum
- Subjective overlay.

The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

Upper Limit for total principal sums invested over 364 days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the council having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 364 days	2011-12 Approved £m	2011-12 Revised £m	2012-13 Estimate £m	2013-14 Estimate £m	2014-15 Estimate £m
	15.0	15.0	15.0	15.0	15.0

Accounts, Audit and Risk Committee

External Audit Progress Report

19 September 2012

Report of the Head of Finance and Procurement

PURPOSE OF REPORT

To allow Members to consider a progress report of the District Auditor.

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended: to:

- (1) Note the report

Executive Summary

- 1.1 At each meeting the committee is presented with an update report from the District Auditor in relation to the work in progress and status report. This is included in Appendix 1.

Implications

Financial:	There are no financial effects arising from this report. Comments checked by Karen Curtin, Head of Finance & Procurement
Legal:	There are no legal implications arising from this report. Comments checked by Karen Curtin, Head of Finance & Procurement
Risk Management:	There are no risk issues arising from this report. Comments checked by Karen Curtin, Head of Finance & Procurement

Wards Affected

All

Document Information

Appendix No	Title
Appendix 1	External Audit Progress Report – to follow
Background Papers	
None	
Report Author	Karen Curtin, Head of Finance and Procurement
Contact Information	01295 221551 Karen.curtin@cherwelland.southnorthants.gov.uk

Accounts Audit and Risk Committee

Internal Audit Progress Report

19 September 2012

Report of Chief Internal Auditor

PURPOSE OF REPORT

This report provides the Committee with an update of the work of Internal Audit since the last meeting.

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended to:

- (1) Consider and approve this report

Executive Summary

1.1 Introduction

This report provides the Committee with an update of the work of Internal Audit since the last meeting. It includes a high level overview of final reports issued and issues raised.

1.2 Proposals

No specific proposals included

1.3 Conclusion

The Accounts, Audit and Risk Committee is recommended to consider and approve this report and the amendments made to the audit plan

Background Information

Internal Audit has undertaken work in accordance with the Internal Audit Plan which was approved by the Accounts, Audit and Risk Committee. Progress reports are taken to this committee to outline the work performed and conclusions forged to date.

Implications

Financial:	n/a
Legal:	n/a
Risk Management:	<p>The progress of the Audit Plan approved by this Committee is monitored as part of the Council's Performance Monitoring Framework. Failure to achieve the audit plan could result in a risk that independent assurance will not be provided on the internal control environment as required, and could be seen to undermine the effectiveness of the Internal Audit team. Failure to achieve the audit plan could lead to adverse comment from the external auditors.</p> <p>Comments checked by Chris Dickens, Chief Internal Auditor, 07720 427215</p>

Wards Affected

All

Document Information

Appendix No	Title
Appendix 1	Internal Audit Progress Report
Background Papers	
n/a	
Report Author	Chris Dickens, Chief Internal Auditor
Contact Information	07720 427215 Chris.Dickens@cherwell-dc.gov.uk

Internal audit summary report for Accounts, Audit and Risk Committee

September 2012



Table of Contents

Plan outturn	3
Reporting Activity and Progress	4
Appendix 1 – Plan Progress	5
Appendix 2 – Recent PwC Publications	7

DRAFT

Plan outturn

2012/13 Audit Plan

We have undertaken work in accordance with the 2012/13 Internal Audit Plan which was approved by the Accounts, Audit and Risk Committee at its meeting in March 2012.

An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix One. At present we have completed 23 days out of a total planned 160 days (14%). This is in line with the agreed profile of work within our plan as the majority of financial systems work is performed in Q3 of the financial year. We commit to completing our plan ahead of the year end.

We have continued to review our Audit Plan on an ongoing basis to ensure that it meets Cherwell District Councils ('the Council') risks. On that basis, we have made the following revisions to our audit plan as outlined below:

- Our original plan included 3 days for a secondment of a member of our Housing Benefits team to the Council to support testing on claims in advance of the subsidy claim. This resource was secured from another provider. As such, these days will not be utilised for a secondment and we have utilised the days to perform a review of monitoring and performance mechanisms relating to the Council's leisure contract. We will continue to perform a 5 day internal audit review of housing benefits key controls and processes;

Our original plan also included 5 days for a review of the Council's payroll system. The payroll system is due to be merged with South Northamptonshire Council's ('SNC') payroll system. As such we have assumed that processes will be followed consistently across both Councils after implementation and will perform a joint review in this area.

Reporting Activity and Progress

Final reports issued since the previous meeting

Contract Assurance – Capita Contract*

The objective of this review was to consider contract management activities relating to the Capita contract to ensure that appropriate performance management and performance indicators are in place to ensure contractor performance is optimised.

Overall, contract monitoring practices appear strong. Agreed key performance indicators ('KPIs') are in place and the team undertake validation checks on KPI information reported by the supplier. The KPI list encompasses indicators for all areas of service provided, including those which are consistently achieved. The Council may wish to refine this list to focus on those KPIs which target the more significant areas of service, address any current performance issues or drive positive behavioural changes in the supplier.

Our review highlighted a number of areas where actions specified in the contract have not been delivered – by both the supplier and the Council. The Council should conduct a full assessment of all contract requirements (both service delivery and pricing mechanisms) to identify any areas where contractual requirements are not being met. Where contractor services are no longer required for example the Discretionary Housing Payments service, the Council should enter into discussions with Capita to review/amend the service specification and adjust Contract documentation/fee rates accordingly.

There is an opportunity to improve the contract governance process by ensuring all processes are documented and the formal contract documentation is updated to reflect any changes since the Contract began. This level of rigour and formality will provide a better support structure for the Council should it experience any difficulties during the contract period. This was a 'value enhancement' review and as such no risk rating has been provided.

Shared Management – Governance and Efficiency*

Our plan includes a regular verification exercise of the costs and recharges associated with the Joint Management Team. As part of this review we examined the budget information and spend incurred in quarter 4 of 2011/12. We noted no issues. This was a 'value enhancement' review and as such no risk rating has been provided.

** We anticipate that these reports will be issued in the period between papers for this meeting being submitted and the actual meeting date.*

Fieldwork and draft reports

Draft reports have been issued and/or fieldwork has commenced in the following areas: -

- Project and Programme Management;
- Dry Recycling;
- Collection Fund.

Appendix 1 – Plan Progress

Ref	Auditable Unit	Indicative number of audit days	Status/Revisions to the plan
A	Cross-cutting Processes		
A.1	General Ledger**	3	To commence in Q3.
A.2	Debtors**	3	To commence in Q3.
A.3	Creditors**	3	To commence in Q3.
A.4	Payroll**	5	To commence in Q3.
A.5	Budgetary Control	10	To commence in Q4.
A.6	Collection Fund	5	Fieldwork commenced.
A.9	Housing Benefits	5	To commence in Q3.
A.13	Risk Management	5	To commence in Q4.
A.14	IT Transition Arrangements (Specialist) **	5	To commence in Q3.
A.14	IT Policies and Procedures (Specialist) **	5	To commence in Q3.
A.14	Disaster Recovery and Business Continuity (Specialist)**	5	To commence in Q3.
-	Fraud Risk Assessment (Specialist)	5	To commence in Q3.
	TOTAL	59	
B	Department Level		
B.3	Finance and Procurement – Year End Support (Specialist)**	6	To commence in Q4.
B.9	Performance – Performance Management	5	To commence in Q3.
B.2	Environmental Services – Dry Recycling	5	Fieldwork commenced.
B.6	Strategic Planning and the Environment – Planning Applications	5	To commence in Q3.
B.10	Programme Management - Project and Programme Management (Specialist) **	10	Fieldwork commenced.
B.11	Human Resources – Workforce Planning and Performance Management (Specialist)**	10	To commence in Q4.
B.7	Regeneration and Housing – Moat Lane Regeneration	5	To commence in Q4.
	TOTAL	40	
VE	Value Enhancement		
VE.1	Finance Business Case – Critical Friend	5	Completed.
VE.2	Contract Assurance – Capita Contract (Specialist)	10	Completed.
VE.3	Estates and Asset Management	10	To commence in Q3.
VE.4	Shared Management – Governance and Efficiency	5	Ongoing.
VE.5	Contract Assurance – Leisure Contract (Specialist)	3	To commence in Q3.

	TOTAL	33	
PM	Project Management		
PM1	Follow up	5	Ongoing.
PM 2	Audit Management	23	Ongoing.
	TOTAL	28	
	TOTAL PROPOSED DAYS	160	

Where reviews have been annotated ‘***’, these relate to processes we have assumed will be followed consistently across both Cherwell District Council and South Northamptonshire Councils. We have therefore reduced days in this area to reflect a joint review. These areas have been indicated to us through discussions with management at both Councils.

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Appendix 2 – Recent PwC Publications

As part of our regular reporting to you, we plan to keep you up to date with the emerging thought leadership we publish. The PricewaterhouseCoopers Public Sector Research Centre ('PSRC') produces a range of research and is a leading centre for insights, opinion and research on best practice in government and the public sector.

Above the parapet

Where Finance needs to position itself in the public sector continues PwC's research into the role of Finance in the public sector, examining the trends, issues and the changing environment faced by finance directors.

This report, the 4th in an annual series, identifies how the finance function manages itself in the public sector, how this differs from private sector comparisons and how, over the last four years, finance directors have demonstrated a real desire to improve the performance and capability of their functions. Now, in 2012, the time has come for Finance to firmly put its head above the parapet and make sure that it really does operate as an equal business partner.

Now what next for the Eurozone? Potential outcomes for 2012

While we, nor anyone else, are in a position to know what will happen, businesses should monitor developments carefully. There is a wide range of potential outcomes and ensuring contingency plans are in place is a prudent course of action.

Hidden potential: fulfilling the economic potential of mid-sized cities

Before the recession many of England's mid-sized cities were performing well, but economic pressures have hit these cities harder than larger urban areas such as London and Manchester. Ensuring these cities remain resilient and sustainable will be important for the wider UK economy.

Hidden Potential: Fulfilling the economic potential of mid-sized cities, a report from Centre for Cities, PwC and Sunderland City Council, reveals that mid-sized cities have the potential to create more jobs if they can invest in reconfiguring their centres. The report calls on cities and the Government to work together to create a new investment fund focused on tackling the main barriers mid-sized cities face in their quest to grow.

Cities like Sunderland, Preston, Derby and Wakefield are examples of mid-sized cities that could use the fund to improve their city centre offer for businesses, which would help them to create jobs. The other main recommendations in the report are:

- for Government to follow their City Deal negotiations with England's Core Cities, with 'City Deals' for mid-sized cities to support their contribution to UK economic growth
- for mid-sized cities to address gaps in the provision of city centre office space - by managing empty public sector office space, for example
- for mid-sized cities to put to Government bespoke proposals around their transport and skills to support the renewal of their city centres.

All publications can be read in full at www.psrc.pwc.com/.

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In the event that, pursuant to a request which Cherwell District Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PricewaterhouseCoopers (PwC) promptly and consult with PwC prior to disclosing such report. Cherwell District Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Cherwell District Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Cherwell District Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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Accounts, Audit and Risk Committee

Risk Management First Quarter Review

19 September 2012

Report of Corporate Performance Manager

PURPOSE OF REPORT

To update the Committee on the management of Strategic, Corporate and Partnership risks during the first quarter of 2012/13 and highlight any emerging issues for consideration.

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended to:

- (1) Review the Quarter 1 Strategic, Corporate and Partnership Risk Register. (Appendix 1)

Executive Summary

- 1.1 Last year the Council undertook a fundamental review of its risks and associated reporting requirements. This provided the opportunity to consider the underlying principles of the overall approach to managing risk. The review also resulted in a streamlined set of core strategic, corporate and partnership risks and the requirement that operational risks are monitored at individual service level. These core risks are now monitored on a monthly basis.
- 1.2 As part of this review the Council established a high level strategic risk register which integrated performance and risk reporting using Performance Plus, the Council's corporate performance management system. Risks are reviewed monthly and monitored by the Joint Management Team. There is effective oversight by members through the Executive and the Accounts, Audit and Risk Committee.
- 1.3 In summary this report sets out the following:
 - The principles by which the Council manages risk (paragraph 1.4)
 - The quarter 1 risk report review (paragraph 1.5).
 - The risk register for 2012/13 (paragraph 1.6 and appendix 1).
 - Risk reporting arrangements (paragraph 1.7)
 - A summary of the overall position/status of strategic, corporate and partnership risks affecting the Council Paragraph 1.10

1.4 Underlying Principles of Risk Management

The following principles continue to be used for the management of risk:

Core Risks: These are the core set of risks that are recorded in the Council's Risk Register. They are monitored and reported through the corporate Performance Management Framework. They are also monitored by JMT on a monthly basis, and by the Executive and Accounts, Audit and Risk Committee on a quarterly basis. These risks are defined as strategic, corporate and partnership risks (see 'types of risk' below).

Net Risk: This is a measure of impact and likelihood after the proposed mitigating actions or controls have been taken into account. This is given a score using a 5x5 matrix which can then range from 1 to 25, with 25 being the highest level a risk can score. Changes in net risk are highlighted in the risk monitoring reports to draw attention to any increase or decrease in risk and any new controls required.

Types of Risk: The Council distinguishes between four types of risk. Those defined as strategic, corporate or partnership are held on the Council's core risk register. Operational risks are managed at service and directorate level and not corporately through the performance management framework.

Our definitions are as follows;

- **Strategic risks:** those which 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 its four strategic priorities.
- **Corporate risks:** those relating to corporate systems or processes that underpin the organisation's overall governance, operation and ability to deliver services.
- **Partnership risks:** those relating to a partnership meeting its objectives or delivering agreed services/ projects.
- **Operational risks:** those which are specific to the delivery of individual services/service performance or specific projects.

This report concentrates upon the strategic, corporate and partnership risks.

1.5 Quarter 1 2012/13 Strategic, Corporate and Partnerships Risk Review

Strategic, corporate and partnership risks are reviewed on a monthly basis and reported via the performance and risk management framework to the Executive on a quarterly basis. The contents of the risk register as a whole are reviewed at least annually to ensure its contents reflect current priorities and circumstances.

No risks have changed over this quarter and therefore there are no particular issues or highlights to be raised.

1.6 Risk Register 2012/13

Appendix 1 shows the risk register for 2012/13 at Q1.

1.7 Reporting Arrangements

For 2012/13 the Quarter 1 performance was reported to the Executive on 5 September 2012. After consultation with the lead member for Performance and Customers it was agreed that a review would take place between Heads of Service and their lead members to determine what measures and risks would be reported to Executive going forward and at what intervals. .

As part of this process of reviewing our reporting arrangements we would like to include consideration of the risks and the risk reporting. We intend to re-establish a risks working group to meet on a quarterly basis to consider the range of risks and determine whether they are being effectively managed and mitigated. This group has existed in the past and we will consider whether to re-instate the original process or to re-engineer a new process, better aligned to our performance review process as it is developed.

The performance of all the risks on the Strategic/Corporate/Partnerships Risk Register will continue to be reported to the Accounts, Audit and Risk Committee on a quarterly basis as outlined below:

1.8 Operational Risks

Operational risks are not included in the strategic, corporate and partnerships risk register. These risks are managed and monitored locally at directorate and service level. However, managers are able to use the same performance and risk monitoring system as they do for strategic risks. As with service performance indicators, any issues arising from these operational risks may be escalated via the performance and risk reports to the Joint Management Team. In the event of this occurring they would also be reported to the Executive, and Accounts, Audit and Risk Committee in their quarterly reports. Operational risks are reviewed on a quarterly basis.

1.9 Risks shared with South Northamptonshire Council

It should be noted that both Cherwell District and South Northamptonshire I Councils remain sovereign bodies and as such not all risks will be shared. Where shared risks do exist they will be clearly identified.

The councils will however have a common approach to risk management, underpinned by a single risk management strategy> Each Council will however retain its own separate risk register which will include shared risk where they exist.

As part of the business planning process for 2013/14 strategic, corporate and partnerships risks will be reviewed by JMT. Operational risks for 2013/14 will be identified in departmental service plans.

Conclusion

- 1.10 The risk strategy that was agreed in January is being implemented and we are looking at ways to improve how we manage and consider risk. As mentioned at section 1.7 we are considering implementing a corporate risk management working group, with responsibility for ensuring that risks are effectively managed and mitigations are in place and appropriate. Progress on these matters will be reported to this committee at the next meeting.

There are no particular issues or items to be noted in this quarter.

Background Information

- 2.1 The Council has a single Performance and Risk Management Framework in Performance Plus which integrates the reporting processes for performance and risk and embeds the Risk Strategy.
- 2.2 Performance Plus has also been available for managers to use to store their operational risks. Monitoring of operational risk remains a service/directorate responsibility but where risk needs to be escalated to the strategic risk register JMT will have the opportunity to do so as part of their monthly review of performance and risk.

Implications

- Financial:** There are no direct financial implications on this report. Any financial implications that affect financial resources are picked up within the individual risks overviews and mitigations.
Comments provided by Karen Curtin, Head of Finance and procurement, 01295 221551
- Legal:** There are no direct legal implications arising from this report but the Council has to ensure it is aware of any risks to its delivering what is required by law.
Comments checked by Nigel Bell, Team Leader – Planning & Litigation, 01295 221687
- Risk Management:** The report details the work that we are doing to manage our risks and this report is the work of the lead officer responsible for risk reporting.

Comments checked by Ros Holloway, Performance and Risk Officer, 01295 2211751

Wards Affected

All

Corporate Plan Themes

All

Document Information

Appendix No	Title
Appendix 1	Risk Register Q1 2012/13
Background Papers	
1. Quarter 3 report to Accounts, Audit and Risk Committee	
Report Author	Gavin Halligan-Davis, Corporate Performance Manager
Contact Information	Gavin.halligan-davis@cherwellandsouthnorthants.gov.uk 0300 0030113

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Risk Register 2012/2013

Risk Heading	Owner	Council	Description	Risk Assessment Agreed 01/04/2012				Quarter 1 : 30 June 2012				Net Risk Direction of Travel	Comments this quarter
				Gross Risk Rating	Gross RAG	Net Risk Rating	Net RAG	Gross Risk Rating	Gross RAG	Net Risk Rating	Net RAG		
Partnership Risks													
RP04 Cherell Local Strategic Partnership	Kevin Larner	CDC	Failure or reduced effectiveness of the partnership could lead to: <ul style="list-style-type: none"> Key partners adopting policies or projects inconsistent with each other, Opportunities being missed for effective partnership working Existing LSP sponsored projects failing to deliver their objectives Any of the above could result in wasted resources and reputational damage to the council and the partnership	Medium 9	A	Medium 6	A	Medium 9	A	Medium 6	A	↕	
RP05 CDC safer Communities Partnership	Mike Grant	CDC	The partnership doesn't add value to the work of the council, undertakes projects that don't align with strategic objectives or the council is unable to influence the partnership's agenda. Leading to failure to achieve corporate objectives and loss of reputation <ul style="list-style-type: none"> Duplication of work Less effective / efficient work Less public confidence Failure to achieve partnership objectives 	Medium 9	A	Low 4	G	Medium 9	A	Low 4	G	↕	Risk reviewed there are no changes to the risk this month
RP06 Local Enterprise Partnerships Oxford Region	Adrian Colwell	CDC	The risk is the failure of the Local Enterprise Partnerships to establish themselves as effective bodies locally and in relations with National Government. The consequences may be reduced funding for the local area and failure to fully exploit economic growth, development and infrastructure provision opportunities. A related risk is the ability/inability of Cherwell District Council to influence the work of the Partnerships to the benefit of the District.	High 16	R	High 12	I	High 16	R	High 12	I	↕	Both Local Enterprise Partnerships are at an early stage of development. CDC is active in both to ensure they support the achievement of local economic priorities
Oxfordshire Waste Partnership - Financial Arrangements	Ed Potter	CDC	Financial arrangements exist to regulate funds flowing between the collection authorities in Oxfordshire and the disposal authority (Oxfordshire County Council). These are legally binding. However Oxfordshire County Council have indicated that they are not prepared to continue all these payments (landfill diversion payments) in the future, indicating from April 2013. This could threaten the future of the Oxfordshire Waste Partnership.	High 16	R	High 12	I	High 16	R	High 12	I	↕	A paper on the financial arrangements going to the Chief Exec meeting in mid July
RP08 Health & Wellbeing Boards	Ian Davies	CDC	A new health and well being structure is being set up with county councils being given the responsibility to lead. This includes health, social care and the general well being in the widest context. CDC and SNC have notable contributions to make through their leisure, community safety, housing and health improvement services, regulatory functions such as planning, licensing and environmental health and its services to young people and older people. Unclear with a CC lead how DC services contribute and influence. There is a specific risk that the previous Supporting People budget, so crucial to much of the homelessness preventative work, will be broken up within this structure.	Medium 9	A	Medium 9	A	Medium 9	A	Medium 9	A	↕	Ongoing multi agency activities in the targeted wards. All local government tiers involved. Review undertaken of priority actions and new multi agency opportunities. OCC's Early Intervention Hub now integrated into the programme
RP09 Local Enterprise Partnerships (South East Midlands)	Adrian Colwell	CDC and SNC	The risk is the failure of the Local Enterprise Partnerships to establish themselves as effective bodies locally and in relations with National Government. The consequences may be reduced funding for the local area and failure to fully exploit economic growth, development and infrastructure provision opportunities. A related risk is the ability / inability of Cherwell District Council to influence the work of the Partnerships to the benefit of the District.	High 16	R	Medium 12	A	High 16	R	Medium 12	A	↕	Both Local Enterprise Partnerships are at an early stage of development. CDC is active in both to ensure they support the achievement of local economic priorities

Risk Register 2012/2013

Risk Heading	Owner	Council	Description	Risk Assessment Agreed 01/04/2012		Quarter 1 : 30 June 2012				Net Risk Direction of Travel	Comments this quarter	
				Gross Risk Rating	Gross RAG	Net Risk Rating	Net RAG	Gross Risk Rating	Gross RAG			Net Risk Rating
RP10 Police & Crime Commissioner and Police & Crime Panel (Thames Valley & Northamptonshire)	Chris Rothwell	CDC and SNC	<p>The Council fails to engage/influence the PCC/ PCP Doesn't add value to partnership work of the Council PCC commissions projects that don't align with strategic objectives of the Council.</p> <p>Loss/reduction of funding to Community Safety. Becomes isolated from PCC. Leading to failure to achieve corporate objectives and loss of reputation</p> <ul style="list-style-type: none"> Failure to deliver local priorities Failure to achieve PCC objectives Less effective / efficient work Less public confidence 	Medium 9	A	Low 4	G	Medium 9	A	Low 4	G	Member representatives nominated to PCP, Northampton Partnership working on the plans and briefings ready for the November elections.

Indicated by:-

High	Requires Active Management High impact / High Probability: this risk requires active management to manage down and maintain the exposure at an acceptable level. Escalate upwards.
High Medium	Contingency Plans Required A robust contingency plan is required, together with early warning mechanisms to detect any deviation from the profile. Escalate upwards.
Medium	Monitoring Required This risk may require some additional risk mitigation to reduce the likelihood (if it can be done cost effectively), but good housekeeping to ensure that the impact remains low should be adequate. Monitor to identify any change in the risk.
Low	Review Periodically This risk is unlikely to require further mitigating actions, but the status should be reviewed quarterly to ensure that conditions have not changed.
↑	Risk rating stayed the same Last quarter compared to this quarter
↘	Risk rating improved Performance increased (risk rating decreased) Last quarter compared to this quarter
↗	Risk rating worsened Performance declined (risk rating increased) Last quarter compared to this quarter

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