Public Document Pack

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

Date: **Wednesday 14 January 2026**

Time: **6.30 pm**

Venue: **39 Castle Quay, Banbury, OX16 5FD**

Membership

Councillor Simon Lytton (Chair)
Councillor David Rogers (Vice-Chair)
Councillor Besmira Brasha
Councillor Frank Ideh
Councillor Nicholas Mawer
Councillor Ian Middleton
Councillor Robert Parkinson
Councillor Dom Vaitkus
Nelly Lukwo Independent Person, no voting rights
Sarah Thompson Independent Person, no voting rights

Substitutes **Any member of the relevant political group.**

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 5 - 10)

To confirm as a correct record the Minutes of the meeting of the Committee held on 19 November 2025.

4. Chair's Announcements

To receive communications from the Chair.

5. Requests to Address the Meeting

The Chair to report on any requests to address the meeting.

6. Urgent Business

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

7. Annual Governance Statement 2024/2025 – Update on Actions (Pages 11 - 34)

Report of Assistant Director of Law and Governance and Monitoring Officer

Purpose of report

To consider an update on actions from the Annual Governance Statement (AGS) 2024/2025.

Recommendations

The Accounts, Audit and Risk Committee resolves to:

1.1 Consider and comment on the update on the actions arising from the Annual Governance Statement 2024/2025.

8. Local Code of Corporate Governance (Pages 35 - 192)

Report of Assistant Director of Law and Governance and Monitoring Officer

Purpose of report

To review the Local Code of Corporate Governance. The Code is part of the overall system of internal control at the Council and supports the provision of the Annual Governance Statement (AGS) which is approved annually by the Accounts, Audit and Risk Committee.

Recommendations

The Accounts, Audit and Risk Committee resolves:

1.1 To approve the reviewed Local Code of Corporate Governance (Appendix 1).

9. Health and Safety Security at Castle Quay Offices (Pages 193 - 214)

Report of Assistant Director of Human Resources

Purpose of report

To seek approval from the Accounts, Audit and Risk Committee on the proposed Security Policy for the Castle Quay office.

Recommendations

The Accounts, Audit and Risk Committee resolves:

1.1 To review and approve the Security at Castle Quay Offices Policy for implementation.

10. Draft Capital and Investment Treasury Management Strategies 2025/26 (Pages 215 - 244)

Report of Assistant Director Finance (Section 151 Officer)

Purpose of report

To submit the draft Capital and Investment Strategy and Treasury Management Strategy for 2026-27 for recommendation by the committee to the Executive.

Recommendations

The Accounts, Audit & Risk Committee resolves:

1.1 To recommend the draft Capital and Investment Strategy for 2026-27 (Appendix 1) and draft Treasury Management Strategy for 2026-27 (Appendix 2) to Executive.

11. Review of Committee Work Programme (Pages 245 - 246)

To consider and review the Work Programme.

Councillors are requested to collect any post from their pigeon hole in the Members' Lounge before or at the end of the meeting.

Information about this Meeting

Apologies for Absence
Apologies for absence should be notified to democracy@cherwell-dc.gov.uk or 01295 221534 prior to the start of the meeting.

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

Local Government and Finance Act 1992 – Budget Setting, Contracts & Supplementary Estimates
Members are reminded that any member who is two months in arrears with Council Tax must declare the fact and may speak but not vote on any decision which involves budget setting, extending or agreeing contracts or incurring expenditure not provided for in the agreed budget for a given year and could affect calculations on the level of Council Tax.

Evacuation Procedure
If you hear the fire alarm, please leave the building via the nearest available exit. The fire

assembly point is outside the Premier Inn, adjacent to the canal.

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.

Webcasting and Broadcasting Notice
The meeting will be recorded by the council for live and/or subsequent broadcast on the council's website. The whole of the meeting will be recorded, except when confidential or exempt items are being considered. The webcast will be retained on the website for 6 months.

If you make a representation to the meeting, you will be deemed by the council to have consented to being recorded. By entering the Council Chamber or joining virtually, you are consenting to being recorded and to the possible use of those images and sound recordings for webcasting and/or training purposes.

The council is obliged, by law, to allow members of the public to take photographs, film, audio-record, and report on proceedings. The council will only seek to prevent this should it be undertaken in a disruptive or otherwise inappropriate manner.

Queries Regarding this Agenda
Please contact Patrick Davis, Democratic and Elections democracy@cherwell-dc.gov.uk, 01295 221534

Shiraz Sheikh
Monitoring Officer

Published on Tuesday 6 January 2026

Cherwell District Council

Accounts, Audit and Risk Committee

Minutes of a meeting of the Accounts, Audit and Risk Committee held at 39 Castle Quay, Banbury, OX16 5FD, on 19 November 2025 at 6.30 pm

Present:

Councillor Simon Lytton (Chair)
Councillor David Rogers (Vice-Chair)
Councillor Besmira Brasha
Councillor Frank Ideh
Councillor Robert Parkinson
Councillor Dom Vaitkus
Sarah Thompson, Independent Person, no voting rights

Apologies for absence:

Councillor Nicholas Mawer
Councillor Ian Middleton

Also Present:

Councillor Lesley McLean, Deputy Leader and Portfolio Holder for Finance, Property & Regeneration

Also Present Virtually:

Ed Lambert-Martin, Internal Audit - Veritau
Sarah Butler, Internal Audit, Veritau
Craig Sullivan, External Audit, Bishop Fleming
Mark Bartlett, External Audit, Bishop Fleming

Officers:

Michael Furness, Assistant Director Finance & S151 Officer
Joanne Kaye, Head of Finance and Deputy S151 Officer
Patrick Davis, Democratic and Elections Officer

Officers Attending Virtually:

Ed Potter, Assistant Director Environmental Services
Ruth Wooldridge, Health and Safety Manager

48 **Declarations of Interest**

There were no declarations of interest.

49 **Minutes**

The Minutes of the meeting of the Committee held on 24 September 2025 were agreed as a correct record and signed by the Chair.

50 **Chair's Announcements**

There were no Chair's announcements.

51 **Requests to Address the Meeting**

There were no requests to address the meeting.

52 **Urgent Business**

There were no items of urgent business.

53 **Internal Audit Progress Report 2025/26**

The Assistant Director of Finance (Section 151 Officer) submitted a report that provided the Committee with an update on the delivery of the internal audit work programme for 2025/26.

In introducing the report, Ed Lambert-Martin, Internal Audit Manager at Veritau reported that four internal audits had been completed since the last report was submitted to the Committee. Two had been rated as substantial assurance; Governance and decision making, and Treasury management, and two at reasonable assurance; Risk Management, and Performance Management Framework.

The Committee was assured that although there were fourteen overdue actions, these were largely due to the timings of the follow up work following the change in internal auditors last year and these were being addressed by the relevant officers in liaison with Veritau.

Resolved

(1) That the progress made in delivering the 2025/26 internal audit work programme be noted.

54 **Counter Fraud Progress Report**

The Assistant Director of Finance (Section 151 Officer) submitted a report which presented an update on counter fraud work undertaken so far in 2025/26.

In response to a question regarding the remedies sought from claimants who had made fraudulent or erroneous claims, it was confirmed that the values involved related to the repayments of the over provision rather than through legal action undertaken by the Council.

Resolved

(1) That the counter fraud progress report be noted.

55 **External Audit Reports 2024/25**

The Assistant Director of Finance (Section 151 officer) submitted a report on the External Audit 2024/25 for the Committee to receive the auditors' Audit Completion Report for 2024/25, the draft Annual Auditor's Report and draft Letter of Representation.

In introducing the report, Craig Sullivan Partner at Bishop Fleming and Mark Bartlett Director at Bishop Fleming, updated the Committee on the progress of the Audit Completion Report and the Auditors Annual Report. Both reports were still in draft format but no significant issues had been identified to date. It was anticipated that final versions would be issued in December.

Members were also provided with an update on the timetable and mechanisms for building back assurance in the financial statements following the disclaimed opinion provided by the previous external auditor due to it not undertaking the 2022/23 external audit as a consequence of resourcing constraints.

In response to a query regarding one of the unadjusted items in the Auditors Annual Report, the Director at Bishop Fleming confirmed that the figure of £687,000 was an extrapolated estimate based on the potential impact of the error across the full population rather than an actual value.

Resolved

(1) That the contents of the Audit Completion Report for 2024/25 from the council's external auditors, Bishop Fleming be noted.

(2) That the contents of the draft Auditor's Annual Report for 2024/25) be noted.

(3) That the draft Letter of Representation for 2024/25 be noted.

(4) That once the final audit opinion for 2024/25 was received, the Assistant Director of Finance (S151 Officer), in consultation with the Chair of the Accounts, Audit and Risk Committee (or Vice Chair in their absence), be authorised to make any further changes to the accounts agreed with the auditors and sign the accounts and it be noted any further changes would be brought to the Committee's attention at its next meeting following the signing.

(5) That the Assistant Director of Finance (S151 Officer), in consultation with the Chair of the Committee (or Vice Chair in their absence), be authorised to make any further changes to the Letter of Representation agreed with the auditors that may arise during completion of the audit and it be noted that any further changes will be brought to the Committee's attention at its next meeting following the signing.

56 **Risk Monitoring Report Quarter 2 2025-26**

The Assistant Director of Finance (S151 Officer) submitted a report to update the Committee on how well the Council was managing its strategic risks.

In introducing the report, the Performance Team Leader confirmed that the Leadership Risk Register remained stable. The only change was the decrease in the score for risk L05 – Planning Applications for Major Developments, from 16 (High) to 12 (Medium) due to the service implementing an action plan following receipt of the Planning Advisory Service report earlier in the year.

In response to a question regarding risk L01 – Financial Resilience and whether any work was underway to affect a change on the rating score for this, the Committee was advised that this risk derived from the proposed changes in the way funding was allocated to councils by Central Government and as such was outside of the council's control. The Assistant Director of Finance assured the Committee that appropriate mitigations had been implemented where possible but as details of the new funding model were unknown there was a limit as to what the council was able to do at this stage. It was anticipated that more information would be made available to the council towards the end of the year.

Resolved

(1) That the Risk Monitoring Report for Quarter 2 2025 – 26 be noted.

57 **Risk Management Strategy and Guidance**

The Assistant Director of Finance (S151 Officer) submitted a report that proposed a new Risk Management Strategy and Guidance, that aimed to ensure the council's effective and compliant risk management.

In introducing the report, the Performance Team Leader explained that the updated guidance had been developed following an internal audit and ensured that the council incorporated best practice from within the local government organisation sector in its Risk Management Strategy.

In response to Committee comments the Performance Team Leader clarified the mechanisms for identifying new risks and agreed to update the Guidance to ensure these were clearly set out.

Resolved

(1) That the proposed Risk Management Strategy and Guidance be endorsed.

58 **Health and Safety Report Quarter 2 Report**

The Assistant Director Human Resources submitted a report that provided the Committee with the Council's Health and Safety performance for Quarter 2 of the 2025/26 financial year.

In introducing the report, the Health and Safety Manager explained that the majority of accidents and incidents recorded, involved Environmental Services as this was the highest risk service area for the Council as it operated in locations where there was not complete control over the working environment.

The Assistant Director, Environmental Services outlined the measures taken to reduce the number of incidents including the use of four-way cameras on all vehicles to assist in reversing manoeuvres. The Committee was advised that there was a correlation between the number of accidents and the experience of drivers. Over 50% of accidents involved drivers who had worked for the council for less than two years. To mitigate the high level of incidents, various measures had been implemented including an increase in the number of inspections alongside more regular team briefings. The Committee requested that year-on-year comparative data be included in future reports.

In response to a request for an update on the outstanding actions from the Veritau audit of Environmental Services, the Assistant Director, Environmental Services confirmed that the main outstanding items related to how the online iHasco training staff were required to complete, could be adapted to meet the requirements of Environmental Services and a solution to enable staff to access training material electronically. It was anticipated that both issues would be resolved imminently.

Resolved

(1) That the Health and Safety Report performance for Quarter 2 of the 2025/26 financial year be noted.

59 **Treasury Management Report - Mid-year review 2025/26 (September 2025)**

The Assistant Director of Finance (S151 Officer) submitted a report that updated the Committee on treasury management performance and compliance with treasury management policy for 2025-26 as required by the Treasury Management Code of Practice.

In introducing the report, the Portfolio Holder for Finance, Property and Regeneration advised that as at the end of Quarter 2 2025-26, the Council had borrowing of £171M and investments of £41M, which resulted in a net borrowing position of £130M.

Resolved

(1) That the Treasury Management mid-year review 2025-26 be noted and Council be recommended to receive the report.

60 **Financial Management Code - Forecast Self-Assessment Update 2025/26**

The Assistant Director of Finance (S151 Officer) submitted a report which updated the Committee on the results of the Council's forecast self-assessment position as at February 2026 against the requirements of CIPFA's Financial Management Code.

In introducing the report, the Head of Finance advised the Committee that the Financial Management Code was the minimum that Local Authorities had to do to comply with Section 151 of the Local Government Act to meet its financial responsibilities and that this was the responsibility of the Section 151 officer, Corporate Leadership team and the Executive.

The Committee was advised that the self-assessment showed continued strong compliance. It was green in all areas of the Financial Management Code which demonstrated a resilient and sustainable approach to managing the Council's finances.

Resolved

(1) That the Council's forecast self-assessment position of strong compliance at February 2026 against the requirements of CIPFA's Financial Management Code be noted.

61 **Review of Committee Work Programme**

The Committee considered its work plan and had no queries or additional items for the Committee Work Plan.

Resolved

(1) That the work programme update be noted.

The meeting ended at 7.48 pm

Chair:

Date:

This report is public	
Annual Governance Statement 2024/2025 – Update on Actions	
Committee	Accounts, Audit and Risk Committee
Date of Committee	14 January 2026
Portfolio Holder presenting the report	Portfolio Holder for Corporate Services Councillor Chris Brant
Date Portfolio Holder agreed report	5 January 2026
Report of	Monitoring Officer & Assistant Director of Law & Governance, Shiraz Sheikh

Purpose of report

To consider an update on actions from the Annual Governance Statement (AGS) 2024/2025.

1. Recommendations

The Accounts, Audit and Risk Committee resolves to:

1.1 Consider and comment on the update on the actions arising from the Annual Governance Statement 2024/2025.

2. Executive Summary

2.1 At its 16 July 2025 meeting, the Accounts, Audit and Risk Committee (AARC) approved the Annual Governance Statement (AGS) for the financial year 2024/2025.

2.2 The report gives the Committee an update to the actions that was included in the Annual Governance Statement 2024/2025.

Implications & Impact Assessments

Implications	Commentary
Finance	There are no financial implications as a result of this update report. Rachel Ainsworth, Finance Business Partner, 19 December 2025
Legal	The Council has a legal duty to agree an Annual Governance Statement. This report does not itself raise legal implications but this update on the actions arising from last year's AGS is consistent with the responsibility of this Committee to ensure the effectiveness of the Council's Governance.

	Shiraz Sheikh, Monitoring Officer & Assistant Director of Law & Governance, 19 December 2025			
Risk Management	There are no risk implications associated directly with this report. Celia Prado-Teeling, Performance & Insight Team Leader, 19 December 2025			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact		x		Not applicable
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		x		Not applicable
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		x		Not applicable
Climate & Environmental Impact		x		Not applicable
ICT & Digital Impact		x		Not applicable
Data Impact		x		Not applicable
Procurement & subsidy		x		Not applicable.
Council Priorities	Not applicable			
Human Resources	Not applicable			
Property	Not applicable			
Consultation & Engagement	Senior officers for each area have been consulted and provided updates on progress as set out in section 4 of this report			

Supporting Information

3. Background

3.1 At its 16 July 2025 meeting, the Accounts, Audit and Risk Committee (AARC) approved the Annual Governance Statement (AGS) for the financial year 2024/2025 which can be found at appendix 1 of the report.

3.2 Local authorities are required to prepare an AGS to be transparent about their compliance with good governance principles and to give an opinion on the effectiveness of those arrangements. As part of the process, authorities are expected to highlight particular areas of focus for the year following. This report updates the Committee on the actions identified for 2025/26 in the AGS.

4. Details

Annual Governance Statement Actions for 2024/2025

4.1 The Annual Governance Statement outlined the following areas and expected outcomes for particular focus in 2025/26:

Action	Responsible Officer(s)	Update
An audit of compliance with Health and safety management system identified several significant control weaknesses in this particularly within the Place directorate. Demonstrably meet the Council's accident and incident reporting and investigation requirements. Implement the action plan.	AD HR as corporate health and safety. AD Environment for implementation	The action plan has been implemented
Implement improvements in report clearance processes, with DLTs taking responsibility for early engagement with legal and finance to improve quality and timeliness of reports and improved forward planning.	DLTs	All directorates are instructed by CLT to ensure that all reports are cleared by legal and finance and there is early engagement.
Management of strategic site applications to minimise the risk	AD – Planning	The action plan was presented to AARC on 28 May and a corporate commitment made to provide

of legal proceedings and costs exposure. Implement all review findings and action plan Address issues identified in the Internal Audit fact finding review relating to negative framing of officer recommendations, strategic partnerships and stakeholder management, Resource and document management, Performance management, management of planning performance agreements and management of service improvement.	Head of Development Management	resource to support implementation. This resource has not yet been secured and therefore implementation is c. 5 months behind. Resource needs are now being considered through the corporate Transformation Programme.
Work with Executive and CLT to deliver the 2025/26 budget and financial challenges, giving particular attention to the delivery of the agreed savings. Delivery of agreed savings Where overspends are identified operating within the mitigation plan outlined in the S25 statement.	AD Finance	At the mid-point in the year the council is forecasting an overspend at year end of £0.1m. Significant mitigations have been identified to offset forecast overspends of £1.5m in Property, £0.5m in Housing and Wellbeing and £0.4m in Environmental Services. Whilst mitigations have been identified this year, a significant amount have come from Policy Contingency. There is likely to be less policy contingency funding available in 2026/27, and so services will need to look to identify more mitigations if a similar situation occurs in 2026/27.
In collaboration with the new administration, better engagement and consultation with Portfolio Holders (PH) and CLT including focus on strategic planning and transformation change. Officers and members should work together. PH briefing, reports produced and presented to ensure that it meets members needs and provided sufficiently in advance to allow PH and Exec members to review and have	CLT DLTS	There have been a significant amount of away days around the annual planning process and budget process.

political discussion. Planned away days.		
Build on the existing work on transformation and develop a plan to address the budgetary shortfall identified in the Medium Term Financial Strategy beginning in 2026/27. Transformation Case for Change Strategic Planning Process	CD Resources (ED Resources) AD Finance & CLT	Savings proposals and member priority investments have been identified for 2026/27 and future years. A significant amount of work has taken place to consider member prioritisation of services in case service reductions are required. Executive has agreed an approach to transformation which is in the process of being implemented and business cases being prepared to deliver transformation approaches in line with the Executive report.
Further embed the new Procurement Act 2023 and Procurement Regulations 2024 including Member and officer training.	AD Law and Governance	To further embed the Procurement Act 2023 and the accompanying Procurement Regulations 2024, we have established a structured monthly training programme. This includes workshops aligned with Cabinet Office guidance, ensuring all stakeholders fully understand the new PA2023 framework, transparency obligations, and the range of competitive procedures. By building capability across the organisation, we are driving compliance, promoting best practice, and maximising the benefits of the Act—improving efficiency, delivering enhanced social value, and strengthening governance in public procurement.
Produce and Implement Risk Management Strategy and framework to ensure compliance with HM Government Orange Book and implement training programme to embed risk management.	CD Resources (ED Resources)	The Risk Management Strategy was considered at the November AARC meeting.
Specific training on Information Governance as identified in the improvement plan especially in relation to data breaches.	AD Law and Governance	In consultation with Revenues & Benefits and Customer Services (the teams with the highest rates of data breach reporting), improved protocols for data breach reporting

		and assessment have been developed. CDC-specific Information Governance training has been developed and was delivered to members on 13 October 2025. This IG training can now be rolled out to relevant staff, in conjunction with training on the new IG case management system (which will go live in January 2026). It is anticipated that all relevant staff will have received the training by the end of 2025/26. The Risk Management Strategy was considered at the November 2025 AARC meeting.
Building on the Corporate Strategy which covered at a high level "People" to produce Strategic workforce plan focussed on skills and knowledge gaps, performance management, including appraisal processes and learning development plans.	AD HR	Work is underway on a refresh of our performance management process, as well as the introduction of a competency behavioural framework following a refresh of our organizational values. Talent management and succession planning is also being reviewed and developed as part of this years ADP, rolling into next year.
Review of agency processes to ensure that pre-employment checks are conducted and the reasons for waiver of any requirement is properly authorised and reasoned.	AD HR	We are working on procuring contracts that will meet our staffing needs but also provide this assurance.
To produce and implement detailed Simpler Recycling action plan	AD Environment	Simpler Recycling is progressing with kerbside glass collection due to commence in January 2026. Other elements regarding Simpler Recycling are due to be considered by the Executive in January 2026
To define governance parameters around Local Government Reorganisation leading to implementation phase.	CLT	Design of the Governance framework will be/was agreed by LGR leads and Statutory officers regarding the baselining work required prior to Government announcement of preferred proposal and was agreed by CEOs in December 2025.

5. Alternative Options and Reasons for Rejection

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

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

6 Conclusion and Reasons for Recommendations

6.1 In line with Annual Governance Statement process, this report provides an update on actions taken to date during 2025/2026 in respect of recommended actions arising from the 2024/2025 Annual Governance Statement.

Decision Information

Key Decision	N/A
Subject to Call in	N/A
If not, why not subject to call in	N/A
Ward(s) Affected	All

Document Information

Appendices	
Appendix 1	Annual Governance Statement 2024-25
Background Papers	None
Reference Papers	None
Report Author	Shiraz Sheikh, Monitoring Officer & Assistant Director of Law & Governance
Report Author contact details	shiraz.sheikh@cherwell-dc.gov.uk, 01295 221651
Executive Director Approval (unless Executive Director or Statutory Officer report)	Report of the Statutory Officer, Monitoring Officer

This page is intentionally left blank

Appendix 1

ANNUAL GOVERNANCE STATEMENT 2024/2025

Shiraz Sheikh

Monitoring Officer

Assistant Director Law & Governance

CONTENTS

INTRODUCTION

One Council vision

A modern council, inspiring and enabling positive, lasting change.

Our Key priorities

Economic prosperity

Community Leadership

Environmental Stewardship

Quality housing and place making

Delivering these priorities requires good governance - for our residents, employees, businesses, service users and councillors.

Governance means: the values, culture, processes and systems by which the Council is controlled, directed and through which we deliver services for our communities. Governance means carrying out our activities in accordance with the law and proper standards, and that public money is properly accounted for, and used well.

This Annual Governance Statement looks honestly at how effective our governance has been during 2024/25. It also looks ahead to some of our governance priorities and improvements for 2025/26.

The CIPFA/SOLACE Delivering Good Governance in Local Government (2016) requires local authorities to publish an Annual Governance Statement, and to be responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards
- public money is safeguarded and properly accounted for, and
- resources are used economically, efficiently and effectively to deliver agreed priorities and benefit local people.

The Council also has a duty to:

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

The Council's Accounts Audit & Risk Committee (Accounts, Audit and Risk Committee) reviews governance arrangements, audit reports and risk registers. Their role is to recommend improvements or interventions if expected performance is not being achieved, or gaps in current governance arrangements have been identified. The Overview and Scrutiny Committee (Overview and Scrutiny Committee) also scrutinises performance reports as part of its work programme. Budget Planning Committee is also involved in looking at the budget process and in year performance of delivering the budget.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

THE KEY ELEMENTS OF THE GOVERNANCE FRAMEWORK AT CHERWELL DISTRICT COUNCIL

As a local authority, the responsibility for good governance is shared by councillors and officers.

The Council has 48 councillors. These councillors are from different political parties and have different roles in the decision making process. All councillors agree to follow the member code of conduct and the rules for making decisions set out in our Constitution.

The Council operates an executive based system of governance with a Leader. The Executive takes strategic key decisions with officers responsible for day to day decisions. The Executive is made up of a Leader and 8 other councillors. The leader then appoints individual councillors (portfolio holders) to other positions in the Executive. Their remit includes obtaining assurance that Annual Delivery Plan priorities, and the Budget and Policy Framework approved by Council each year, are delivered in their relevant areas.

Since May 2024 a new Liberal Democratic Leader has been in place with no overall control.

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

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

The corporate leadership team (Corporate Leadership Team), compromises the Head of Paid Service, Corporate Directors, Monitoring Officer and Section 151 Officer. Corporate Leadership Team meets on a weekly basis. The extended leadership team (Extended Leadership Team) comprises the Corporate Leadership Team and Assistant Directors. Extended Leadership Team meets on a monthly basis and are programmed as a series of sessions to focus on strategic issues, projects and programmes and health of the organisation.

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

Graven Hill Village Developments was established in 2014. It is an ambitious project aimed at disrupting the market and creating innovative solutions to housing supply issues. The aim of Graven Hill is a large scale self-build community and also looking to develop around 2000 new homes. It will also provide commercial space, a nursery, a primary school and health hub, continuing to create new jobs in the locality.

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

The Council commissioned an independent review of the governance arrangements for Graven Hill, the recommendations arising from it were reported to the Shareholder Committee in July 2023 with the action plan agreed with the members. The action plan is regularly reviewed by the Committee and progress is tracked.

Shareholder Committee is a sub-committee of Executive. The Shareholder Committee manages the shareholding interests in the Council's trading companies. It also appoints and removes directors to the companies, and monitors the performance of the companies.

ANNUAL PLANNING PROCESS

The Council's Vision, Strategy and the new Corporate Plan sets the Council's future priorities, goals and aims over 5 years .

The annual delivery plan sets out the key projects for delivering the above priorities on an annual basis. The new delivery plan was agreed on 7th April 2025.

The Service Plans informed by the service set out how each service is working towards the annual delivery plan and the above priorities.

The framework also sets out the council's golden thread – how its annual priorities are cascaded down through the organisation to individual work plans . Progress towards these priorities is regularly reviewed and reported to the Executive and Overview and Scrutiny Committee. Performance monitoring includes key Indicators, monthly measures and targets.

DECISION MAKING

There is a Forward Plan which is updated on a regular basis for all key decisions.

All meetings are held in public and are webcast and available to watch after the event.

Decisions are recorded on the Council's website

Decisions are supported by officer reports which are open to the public unless they qualify as legally “exempt” from publication.

Decisions are also subject to call-in to Overview and Scrutiny Committee.

RISK MANAGEMENT

Risk registers identify operational and strategic risks.

Key risks are considered by Directorate Management Teams.

Strategic risks are reported to the Executive and Accounts, Audit and Risk Committee quarterly and overseen by Corporate Leadership Team

CORPORATE LEADERSHIP TEAM (CORPORATE LEADERSHIP TEAM)

Corporate Leadership Team are responsible for the overall management of the Council

The Head of Paid Service is the Chief Executive who is responsible for all Council staff and for leading Corporate Leadership Team.

The Corporate Directors lead the majority of services which are delivered to the public with the Chief Executive.

The Monitoring Officer is the Council's Assistant Director of Law, Governance and Procurement who is also responsible for ensuring legality and promoting high standards of conduct.

The Council's Assistant Director of Finance is the Council's Section 151 Officer/Chief Finance Officer and is responsible for safeguarding the Council's financial position and ensuring value for money.

There is also a statutory officer group with set objectives that meets to monitor governance issues.

FINANCE

A new Medium-Term Financial Strategy was approved by Council in February 2025 to cover the five years 2025/26 – 2029/30. The purpose of the Medium-Term Financial Strategy is to deliver a balanced and affordable 2025/26 budget and ensure that the Council's finances are robust and sustainable over the medium term or act as an early warning system of a gap in future years between forecast expenditure and resources which the Council must address, and that in the longer term, the Council's finances are not reliant on the unsustainable use of one-off reserves or funding. The Section 151 Officer issues Section 25 statements on robustness of estimate.

The Council has a robust approach to the use of reserves with any changes in uses of reserves from budgeted levels requiring approval in line with the Council's reserves policy. The Section 151 Officer carries out a risk assessment of general balances as part of the budget setting process and issues an overall opinion on the level of reserves via their Section 25 statement.

ARRANGEMENTS FOR GOVERNANCE

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

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 together with the Statutory Guidance on Best Value (2024) to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Council meets the Standards of the Framework in the following ways:

A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW;

The Council's Chief Finance Officer (also referred to as Section 151 Officer) and Monitoring Officer have specific statutory responsibilities to ensure that decisions taken by the Council are lawful and in line with constitutional requirements. The Council report format and accompanying guidance helps to assist with lawful decision making and contains legal and financial implications alongside impacts assessments under the equality act, environment and sustainability, procurement and subsidy control to assist the decision maker in taking all relevant information into account when making a decision.

The Council has adopted codes of conduct for both Officers and Members which facilitates the promotion, communication and embedding of proper standards of behaviour. The Members Code of Conduct is based on the Local Government Association model code which has the benefit of it being consistent across the spectrum of County, District and Parish/Town councils and makes it easier to administer.

The Council's Constitution explains existing policy making and delegation procedures and the matters which must be dealt with by the full Council. It documents the role and responsibilities of the Executive, portfolio holders, each committee and Members and officers. The Monitoring Officer has also setup a Constitution Review Group working with members across the political spectrum to review the Constitution.

B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT;

The Council consults regularly with stakeholders, taxpayers and service users. The letstalk.cherwell.gov.uk, is the consultation website and enables local people to find, participate in, and view outcomes from, any consultation activities that interest them. It also provides feedback opportunity for stakeholders, taxpayers and service users. In addition, a number of different groups and forums are in place to represent local views on a range of subjects including health and wellbeing and community safety.

C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS;

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

The Council has implemented a robust procurement strategy for all its procurement activities in accordance with the law and the Council's Contract Procedure Rules. The Social Value outcomes are included as part of the Council's procurement process.

D. DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES;

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

There is a Governance Dashboard produced and maintained by the Monitoring Officer which is also reviewed by the Governance and Oversight Group and Corporate Leadership Team. The frequency of the review is being determined as it is a recent initiative. Once developed it will be presented to Accounts, Audit and Risk Committee on at least on an annual basis.

E. DEVELOPING THE COUNCIL'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT;

The May elections resulted in a change of administration at the Council. A series of “Away days” was planned with the new administration on key strategic issues, with each day including a session on governance – related to the topics covered in the away day e.g. planning, regeneration, companies.

The legal team review the officer scheme of delegation regularly, with other departments, to ensure decision making is at the correct level of delegation. The scheme of delegation is updated as and when necessary by taking a report to Full Council

On companies owned by the council, a governance review was conducted in 2023 in respect of Graven Hill and its actions are ongoing and monitored each quarter by the Shareholder Committee. A governance review of Crown House is due to be undertaken.

Legal and governance comments are included in every report that goes to members for a decision.

The Monitoring Officer is a member of the Corporate Leadership Team, and provides governance advice on all matters before Corporate Leadership Team. The Monitoring Officer attends all meetings of the Executive and Council, and provides governance and constitutional advice

Maximising capacity by working collaboratively is a key component of the Annual Delivery Plan and a number of longstanding partnership working arrangements are in place. The Constitution sets out how the governance aspects of these arrangements should operate in practice. The Human Resources and

Development team has a specific role and remit to improve the capability and capacity of Council officers by offering a range of skills and qualification-based training opportunities.

F. MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT;

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

The COGG is an internal officer group consisting of the Corporate Director (Resources) as the responsible chair, Monitoring Officer, the Section 151 Officer, Head of Internal Audit (Veritau (the internal audit provider)) , Deputy Section 151 Officer, Head of Legal & Democratic/ Deputy Monitoring Officer.

For Council-owned companies there is a separate Companies Governance & Oversight Group which is led by the Chief Executive and supported by the Monitoring Officer, Corporate Director Resources, Section 151 Officer together with relevant company officers.

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

Procurement strategy for individual procurements act as a lever for cascading corporate priorities down to services and capital projects that are delivered through commercial partners. Procurement Strategy approval process has been developed to provide a system of robust internal control and ensure best value is achieved through all significant contract awards.

G. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING, AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY.

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

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

The Council is subject to independent audit by Bishop Fleming and receives an Annual Audit Letter reporting on findings. The Council supplements this work with its own internal audit function (outsourced to Veritau (the internal audit provider) Public Sector Limited) and ad hoc external peer reviews. The Accounts Audit and Risk Committee undertakes the core functions as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.

REVIEW OF EFFECTIVENESS

The Council has reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE ‘Delivering Good Governance in Local Government Framework - 2016 Edition’ good practice guidance (See below).

The review of effectiveness is informed by three lines of defence:

- senior managers within the Council who have responsibility for the development and maintenance of the governance environment;
- the Head of Internal Audit (Veritau (the internal audit provider)) and other professional leads including the Chief Executive, Chief Finance Officer, Corporate Directors, Monitoring Officer and Assistant Director of Human Resources;
- Internal Audit as provided by Veritau (the internal audit provider) and other inspections made by external auditors and independent reviews.

INTERNAL AUDIT

OVERVIEW OF WORK COMPLETED IN 2024/25

The Council uses several ways to review the effectiveness of governance arrangements. One of the key assurance statements is the annual report and opinion of the Head of Internal Audit (Veritau (the internal audit provider)). The role of the Internal Audit Service is to provide assurance to management and those charged with governance about the quality and effectiveness of the governance framework and systems of internal control. The internal audit team have completed five internal audits and two fact finding exercises, the outcomes are reported to the Accounts, Audit & Risk Committee. There are two internal audits in progress for this years programme.

PROFESSIONAL STANDARDS AND QUALITY ASSURANCE

The Accounts and Audit Regulations 2015 require internal auditors working in local government to take into account public sector internal auditing standards or guidance. During 2024/25, the professional standards governing the practice of internal auditing in UK local government were the Public Sector Internal Audit Standards (Public Sector Internal Audit Standards).

The 2019 CIPFA Statement on the “Role of the Head of Internal Audit in public service organisations” also applied during 2024/25. This outlines the principles that defines the core activities and behaviours that belong to the role of the ‘Head of Internal Audit’ and the governance requirements needed to support them. The Council's arrangements conform with the governance requirements of the CIPFA statement as follows:

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

The Internal Audit Service operated in accordance with the Public Sector Internal Audit Standards (Public Sector Internal Audit Standards) during 2024/25, as confirmed in the Head of Internal Audit’s annual report.

With effect from 9 January 2025, the standards regime underpinning the Public Sector Internal Audit Standards were replaced by the Global Internal Audit Standards. From 2025/26, the Public Sector Internal Audit Standards will be replaced by a new standards regime known as the Global Internal Audit Standards in the UK Public Sector or 'Global Internal Audit Standards UK Public Sector'.

Global Internal Audit Standards UK Public Sector is made up of the Global Internal Audit Standards (as well as what are known as 'Topical Requirements') and the 'Application Note: Global Internal Audit Standards in the UK Public Sector' ('the Application Note'). The purpose of the Application Note is to set out interpretations and requirements which need to be applied to the Global Internal Audit Standards requirements so that these form a suitable basis for internal audit practice in the UK public sector.

Veritau (the internal audit provider) used a conformance readiness tool, published by the Chartered Institute of Internal Auditors (UK and Ireland), to self-assess its conformance with the Global Internal Audit Standards. It also completed a self-assessment against the Application Note. The Head of Internal Audit confirmed that the service conforms with the Global Internal Audit Standards UK Public Sector.

CIPFA has recently published the 'Code of Practice for the Governance of Internal Audit in UK Local Government' ('the Code'). The purpose of the Code is to ensure that the essential conditions of governance can be met in a local government context. A difference between the Global Internal Audit Standards UK Public Sector and the Code is that the Code is intended for local authorities rather than internal audit functions. It is designed to support authorities in establishing effective internal audit arrangements and providing oversight and support for internal audit.

Internal audit functions are still expected to be aware of the Code, and to assess compliance with it (alongside Global Internal Audit Standards UK Public Sector), but the emphasis of the Code is on ensuring that local authorities have created the conditions for internal audit to be delivered effectively. The internal audit service has worked alongside senior management to ensure that the Code is understood and that the correct conditions for internal audit exist.

ANNUAL OPINION OF THE HEAD OF INTERNAL AUDIT

The Chief Internal Auditor prepared an Annual Report on the work of Internal Audit which concludes for the 12 months ended 31 March 2025. The overall opinion on the framework of governance, risk management and control operating at the council is that it provides Reasonable Assurance. However, in giving that opinion, the Head of Internal Audit, recommended that two significant control weaknesses be considered for inclusion in the Annual Governance Statement. These were as follows:

1. Health and safety management system: An audit of compliance with the Corporate Health, Safety, and Wellbeing Policy identified several significant control weaknesses which, taken together, meant that we could only provide Limited Assurance that the council's health and safety objectives will be achieved. Accident and incident reporting and investigation requirements were not adequately met, nor were requirements linked to distributing service area risk assessments amongst staff or completion of mandatory training. These issues were particularly prevalent within the council's place-based services which also carry the greatest risk to officer and public safety. Veritau (the internal audit provider) has worked with officers to support development of improvement actions. Action has already been taken in some areas, with the remaining actions expected to be completed by October 2025.

2. Management of strategic site applications (Rutten Lane): In April 2024, the Planning Inspectorate found the council to be at fault for the non-determination of the Rutten Lane application (21/03522/OUT). The Inspectorate's decision was that costs be awarded to the appellant, with these settled at £401k approx. A fact-finding review undertaken by Veritau (the internal audit provider) identified several significant control weaknesses which significantly contributed to the delays and non-determination of the application. The council has already been financially exposed as a result of these weaknesses and, if left unaddressed, there is a risk that the situation reoccurs with other strategic site applications it handles. In response, the Development Management service has implemented an improvement action plan which is expected to be mostly completed by the end of 2025.

Both of these weaknesses have been included in the 2024/25 Annual Governance Statement action plan.

The Reasonable Assurance opinion given by the Head of Internal Audit means that, overall, there is satisfactory management of risk within the council but with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.

Where weaknesses have been identified through internal audit review, they have worked with management to agree appropriate corrective action and timescale for improvement. Management action plans are in place and are routinely monitored by the Internal Audit team and reported to Corporate Leadership Team and the Accounts, Audit & Risk Committee. In 2024/25, the Council and its internal audit service developed a follow-up and escalation procedure to strengthen this process further. Managers are required to provide positive assurance that actions have been implemented; performance on implementation is high, demonstrating that control weaknesses identified by Internal Audit are being addressed on a timely basis.

The Council agrees an Annual Plan for the Counter-Fraud Service each year. This is usually presented to the March meeting of the Accounts, Audit and Risk Committee, supporting the Council's Anti-Fraud and Corruption Strategy with updates taken throughout the year. The 2024/25 Counter Fraud Plan was considered in July 2024 as Veritau (the internal audit provider) had recently taken over the provision of this function from the previous provider. The Counter-Fraud team's purpose is to adhere and to promote the zero-tolerance approach to fraud detailed in the Council's Fraud Strategy, by thoroughly investigating any instances of fraud; applying the appropriate sanctions; undertaking proactive and preventive work to prevent and detect fraud through training, awareness raising, data matching and proactive reviews.

The key areas of work for the Counter-Fraud Strategy for 2024/25 were:

- Counter Fraud Framework – monitoring changes to regulations and guidance and maintaining the counter fraud framework
- Proactive work – raising awareness, targeted pro active counter fraud work and advice on measures to help prevent and detect fraud
- Reactive investigations – investigation of suspected frauds against the council and associated recommendations.
- National Fraud Initiative – Coordination of the submission of data to the programme and investigating subsequent data matches
- Fraud liaison – Act as a single point of contact to the DWP to provide data to support Housing Benefit investigations.

For the period April 2024 – March 2025, 47 referrals of potential fraud were made to the team. Twelve investigations were completed, addressing fraud related to Empty homes Council Tax Premiums, Single person discounts and claims for Council Tax Reduction. One person was issued with a formal warning, three people were invoiced for money owed to the council, one person was referred to the Police, positive outcomes were achieved in four cases, and no fraud was found in three cases.

The 2024/25 bi-annual National Fraud exercise began in Autumn 2024; data privacy notices held by relevant departments were reviewed, to ensure they are compliant with government guidance. Datasets were then collated and securely provided to the PSFA. Following this, the PSFA conducted the data-match, comparing data held by Cherwell District Council to other Local Authorities and Government Departments. In December 2024, over 1,000 data matches were sent to the counter fraud team for triaging. The matches cover Council areas including Council Tax Reduction, Housing Benefits, Housing Allocations, Payroll and Creditors. Work is ongoing to review the matches and identify those where further fraud investigation is required.

FINANCIAL MANAGEMENT CODE

A key goal of the Financial Management Code of Practice (launched by CIPFA in November 2019) (FM Code) is to improve the financial resilience of organisations by embedding enhanced standards of financial management. Since April 2021 authorities have been expected to work towards full compliance of the FM Code. There are clear links between the FM Code and the Governance Framework, particularly with its focus on achieving sustainable outcomes. The Council's latest self- assessment of compliance with the FM Code paints a positive picture with the RAG (Red-Amber-Green) rating of compliance showing as Green for all of the 19 standards.

2023/24 ACTIONS

Significant actions have now been completed.

Actions	Update
Review focus on transformation and identify work programmes with savings.	The four phases of the Transformation programme work were completed in January 2025. Initial effectiveness changes are being built into the budget for 2025/26. Further work is underway to bring forward a Case for Change for Executive approval to develop the long term transformation programme covering the next 3-5 years.
Ensure reports commissioned for transformation projects have take into account financial implications and have clear actions plans.	Some savings identified in 2025/26 and the rest has been incorporated into the scope for next phase of the transformation programme.
Develop Workforce Strategy to address key staff vacancies in key services with staff development objectives.	This is being transferred to next year's actions with high level People elements covered in the Corporate Strategy.
Update on the implementation of the Planning Improvement Plan following three different service review reports.	A new plan is being developed and this is part of the next year's actions.
Devise a work programme arising from the Digital Futures Strategy 2022 – 2025.	This is now incorporated into Cherwell Futures programme (as part of case for change) which will deliver this work programme.
Ensure understanding of the Council's governance at all levels including members and officers. This is to include roles and responsibilities and scheme of delegation.	Series of seminars and away days.
Ensure Implementation of Procurement Act 2023 effective from October 2024.	Procurement & Contracts Teams Site Updates Monthly Newsletters Procurement Act FAQs Engagement with our e-tendering portal provider Cabinet Office Procurement Act accreditation Briefing/Webinars to staff & members Existing toolkits to support: Specification/KPI development Contract management & variation. Update to Forms/Templates Information for Suppliers

	Commercial Playbook v2 (2025)
Ensure further improvements on Information Governance by setting up as a corporate project.	This has been setup and work is underway.
Ensure Health and Safety requirements are properly understood for those working in the office and remotely.	This has now been implemented.
Implementation of the new waste regime and extended producer responsibility.	This now incorporates the Simpler Recycling (as required regulations) which has been incorporated into the next year's action plan.

GOVERNANCE SELF ASSESSMENT

Annual Assurance Statements from the Chief Executive, Corporate Directors and Assistant Directors in respect of governance and internal controls for their respective areas, confirm that expected governance arrangements have been in place throughout the year. They have also confirmed that Codes of Conduct, Financial regulations and other corporate processes have operated as expected by undertaking self-assessments of governance arrangements. The themes arising from the self assessment are also reflected in the conclusion below.

CONCLUSION

The Council is satisfied that appropriate governance arrangements are in place however it remains committed to maintaining and where possible improving these arrangements. The following items are noted for improvement in 2024/2025:

Actions	Lead Officer
An audit of compliance with Health and safety management system identified several significant control weaknesses in this particularly within the Place directorate. Demonstrably meet the Council's accident and incident reporting and investigation requirements. Implement the action plan.	AD HR as corporate health and safety. AD Environment for implementation
Implement improvements in report clearance processes, with DLTs taking responsibility for early engagement with legal and finance to improve quality and timeliness of reports and improved forward planning.	DLTs
Management of strategic site applications to minimise the risk of legal proceedings and costs exposure.	AD PLANNING & DEVELOPMENT

Implement all review findings and action plan Address issues identified in the Internal Audit fact finding review relating to negative framing of officer recommendations, strategic partnerships and stakeholder management, Resource and document management, Performance management, management of planning performance agreements and management of service improvement.	
Work with Executive and CLT to deliver the 2025/26 budget and financial challenges, giving particular attention to the delivery of the agreed savings. Delivery of agreed savings Where overspends are identified operating within the mitigation plan outlined in the S25 statement.	AD FINANCE
In collaboration with the new administration, better engagement and consultation with Portfolio Holders (PH) and CLT including focus on strategic planning and transformation change. Officers and members should work together. PH briefing, reports produced and presented to ensure that it meets members needs and provided sufficiently in advance to allow PH and Exec members to review and have political discussion. Planned away days.	CLT DLTS
Build on the existing work on transformation and develop a plan to address the budgetary shortfall identified in the Medium Term Financial Strategy beginning in 2026/27. Transformation Case for Change Strategic Planning Process	CD Resources AD FINANCE & CLT
Further embed the new Procurement Act 2023 and Procurement Regulations 2024 including Member and officer training.	AD LAW & GOVERNANCE
Produce and Implement Risk Management Strategy and framework to ensure compliance with HM Government Orange Book and implement training programme to embed risk management.	CD RESOURCES
Specific training on Information Governance as identified in the improvement plan especially in relation to data breaches.	AD LAW & GOVERNANCE
Building on the Corporate Strategy which covered at a high level “People” to produce Strategic workforce plan focussed on skills and knowledge gaps, performance management, including appraisal processes and learning development plans.	AD HR
Review of agency processes to ensure that pre employment checks are conducted and the reasons for waiver of any requirement is properly authorised and reasoned.	AD HR

To produce and implement detailed Simpler Recycling action plan	AD Environment
To define governance parameters around Local Government Reorganisation leading to implementation phase.	CLT

Other governance outcomes are shown below:

- Nil reports issued by the Section 151 Officer or the Monitoring Officer.
- The Monitoring Officer received 12 complaints about member conduct in 2024/ 2025. 9 were dismissed at initial stage with 1 offered an informal resolution. 2 were withdrawn by the complainant.
- The Local Government and Social Care Ombudsman upheld 1 complaint out of total 10 received.

STATEMENT OF OPINION

It is our opinion that the Council's governance arrangements in 2024/25 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2024/25. It is our opinion that our ability to maintain sound governance during the past year, has been effective.

[redacted]

Gordon Stewart

Chief Executive

[redacted]

Cllr David Hingley

Leader of the Council

This report is public	
Local Code of Corporate Governance	
Committee	Accounts Audit and Risk Committee
Date of Committee	14 January 2026
Portfolio Holder presenting the report	Portfolio Holder for Corporate Services, Councillor Chris Brant
Date Portfolio Holder agreed report	5 January 2026
Report of	Assistant Director Law and Governance and Monitoring Officer, Shiraz Sheikh

Purpose of report

To review the Local Code of Corporate Governance. The Code is part of the overall system of internal control at the Council and supports the provision of the Annual Governance Statement (AGS) which is approved annually by the Accounts, Audit and Risk Committee.

1. Recommendations

The Accounts, Audit and Risk Committee resolves:

1.1 To approve the reviewed Local Code of Corporate Governance (Appendix 1).

2. Executive Summary

2.1 This reports sets out the Council Local Code of Corporate Governance based on the Framework document for Corporate Governance in Local Government publish by CIPFA and SOLACE (Appendix 2) together with addendum “Delivering good governance in local government: framework May 2025” (Appendix 3). This has followed a review from the Corporate Oversight and Governance Group.

2.2 The Local Code of Corporate Governance describes the Council commitment to corporate governance and the arrangements in place that will ensure its implementation and application in all aspects of the Council's work.

Implications & Impact Assessments

Implications	Commentary
Finance	There are no financial implications arsing as a result of this report.

	Michael Furness, Assistant Director Finance (Section 151 Officer), 10 December 2025			
Legal	There are no legal implications arising directly from this report. Shiraz Sheikh, Assistant Director Law & Governance (Monitoring Officer), 25 November 2025			
Risk Management	There are no risk implications arising directly from this report. The proposal mitigates the risk of not being aligned with good compliance principles as set out in the CIPFA Good Governance Framework. Celia Prado-Teeling, Performance Team Leader, 10 December 2025			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact		x		There are no equalities implications arising directly from this report. Celia Prado-Teeling, Performance Team Leader, 10 December 2025
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		x		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		x		
Climate & Environmental Impact				N/A
ICT & Digital Impact				N/A
Data Impact				N/A
Procurement & subsidy				N/A
Council Priorities	N/A			
Human Resources	N/A			
Property	N/A			

Consultation & Engagement	None

Supporting Information

3. Background

3.1 Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It comprises systems, processes, cultures and values by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate leads the community. The Leader of the Council and Chief Executive have a special role as custodians of the Council's governance arrangements, but good governance is also the responsibility of all Members and Officers.

3.2 The Chartered Institute of Public Finance and Accountancy, ("CIPFA") and the Society of Local Authority Chief Executives ("SOLACE") published a framework document for Corporate Governance in Local Government in April 2016 together with addendum "Delivering good governance in local government: framework May 2025" (Appendix 3). The Council is committed to the principles of good corporate governance through the adoption and maintenance of a Local Code of Corporate Governance, as recommended by the CIPFA/SOLACE Framework.

3.3 This Local Code of Corporate Governance therefore sets out and describes the Council's commitment to corporate governance and identifies arrangements that will ensure its effective implementation and application in all aspects of the Council's work. This Local Code of Corporate Governance will be reviewed by the Statutory Officers through the Corporate Oversight & Governance Group regularly and at least annually as part of the preparation of the Annual Governance Statement.

4. Details

4.1 In 2016 the Chartered Institute of Public Finance and Accountancy (CIPFA) & Society of Local Authority Chief Executives (SOLACE) produced an updated guidance and framework with the identified principles that should underpin the governance of each local authority, and a structured approach to assist individual authorities to achieve good governance, "Delivering Good Governance in Local Government: Framework 2016 Edition" together with addendum "Delivering good governance in local government: framework May 2025" (Appendix 3). The Code of Corporate Governance attached at Appendix 1 is based upon this guidance.

4.2 The Framework urges local authorities to test their structures against seven core principles by:

- Reviewing their existing governance arrangements against the Framework

- Developing and maintaining an up-to-date local code of governance including arrangements for ensuring its ongoing application and effectiveness
- Preparing an Annual Governance Statement in order to report publicly on the extent to which they comply with their own code, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.

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

4.4. The Local Code of Corporate Governance sets out how Cherwell District Council complies with the requirements of the Code and identifies key documents, which provide detailed information as to how the Council ensures the Corporate Governance principles are adhered to.

4.5 Appendix A of the Local Code of Governance details the actions and behaviours taken by the Council that demonstrate good governance; as taken from 2016 CIPFA & SOLACE: "Delivering Good Governance in Local Government: Framework 2016 Edition" together with addendum "Delivering good governance in local government: framework May 2025" (Appendix 3).

4.6 Appendix B of the Local Code of Corporate Governance identifies evidence that demonstrates that the Council is delivering good governance.

5. Alternative Options and Reasons for Rejection

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

Option 1: Not to approve the Local Code of Corporate Governance. This is not recommended as the Code demonstrates how the Council meets the good governance principles set out in the CIPFA Good Governance Framework.

6 Conclusion and Reasons for Recommendations

6.1 The Local Code of Corporate Governance provides a simple and transparent way to communicate to the Council's stakeholders how it is meeting the requirements of the CIPFA/SOLACE Framework and provide a reference point in the Annual Governance Statement.

Decision Information

Key Decision	N/A

Subject to Call in	N/A
If not, why not subject to call in	N/A
Ward(s) Affected	All

Document Information

Appendices	
Appendix 1	Code of Corporate Governance
Appendix 2	CIPFA Delivering Good Governance 2016 (AGS Framework)
Appendix 3	CIPFA Delivering Good Governance in Local Government: Framework May 2025
Background Papers	None
Reference Papers	None
Report Author	Shiraz Sheikh, Assistant Director of Law and Governance
Report Author contact details	shiraz.sheikh@cherwell-dc.gov.uk 01295 221651
Executive Director Approval (unless Executive Director or Statutory Officer report)	Report of Statutory Officer, Monitoring Officer

This page is intentionally left blank

Cherwell
DISTRICT COUNCIL
NORTH OXFORDSHIRE

Code of Corporate Governance

2025-2026

Review date: September 2026

Contents

Introduction

In 2016 CIPFA & SOLACE produced guidance and a framework with the identified principles that should underpin the governance of each local authority, and a structured approach to assist individual authorities to achieve good governance, “Delivering Good Governance in Local Government: Framework 2016 Edition.” It also produced an addendum to this guidance. The addendum supports new guidance from CIPFA and Solace on the annual review of governance and internal controls and the preparation of an annual governance statement (AGS). The guidance forms an addendum to “Delivering good governance in local government: framework”. It applies to UK local government statements from 2025/26 onwards.

The addendum also supports the development of a local code of governance to ensure that authorities have in place all the core arrangements essential to fulfil the principles of good governance. Ensuring there is a robust review, using a range of assurances, is essential to underpin the overall conclusion. The authority should conclude whether their governance is fit for purpose and identify any significant areas of improvement. The AGS should also include a forward look to consider how their governance might need to change to meet the future needs of the authority.

The Council’s Code of Corporate Governance is based upon this guidance.

What is Governance?

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads its communities.

Corporate governance in public bodies can be defined as “the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions and lead and control their functions, to achieve their objectives”. It can be further defined as including “robust systems and processes, effective leadership and high standards of behaviour, a culture based on openness and honesty and an external focus on the needs of service users and the public”.

GUIDANCE AND FRAMEWORK

The Framework urges local authorities to test their structures against seven core principles by:

- Reviewing their existing governance arrangements against the Framework
- Developing and maintaining an up-to-date local code of governance including arrangements for ensuring its ongoing application and effectiveness
- Preparing an Annual Governance Statement in order to report publicly on the extent to which they comply with their own code, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.

The preparation and publication of an annual governance statement in accordance with this Framework is necessary to meet the statutory requirement set out in Regulation 6 (4) of the Accounts and Audit (England) Regulations 2015 for authorities to prepare a statement of internal control in accordance with “proper practices”.

Internal control and risk management are increasingly recognised as important elements of good Corporate Governance.

The scope of internal control spans the whole range of the Council’s activities and includes controls designed to ensure that:

- The Council’s policies are implemented in practice;
- High quality services are delivered efficiently and effectively;
- The Council’s values and ethical standards are met;
- Laws and Regulations are complied with
- Required procedures are adhered to;
- Financial statements and other published performance information is accurate and reliable;
- Human, financial, environmental and other resources are managed efficiently and effectively.

The Regulations place a requirement on the Council to conduct an annual review of the effectiveness of its internal controls and identify areas where improvements can be made.

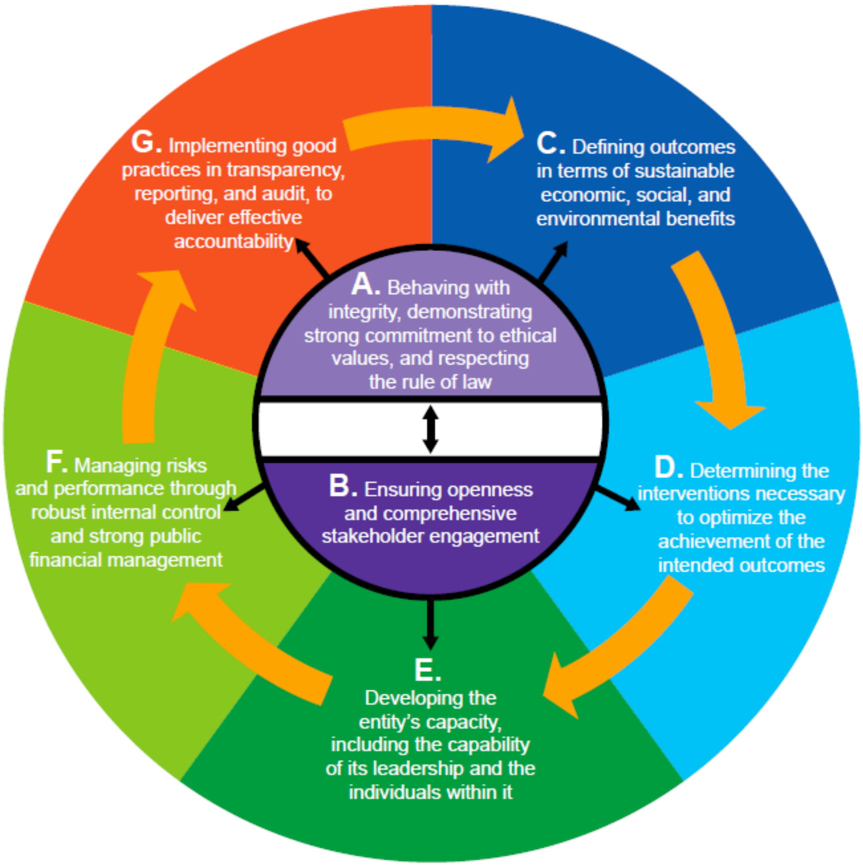
POSITION IN CHERWELL DISTRICT COUNCIL

The implementation of the Accounts and Audit Regulations required the production of a Statement on Internal Control, which formed part of the Council’s Statement of Accounts. The Council’s Corporate Governance Assurance Framework sets out the Corporate Governance arrangements within the Council and sets out the roles and responsibilities of key Officers, Councillors and Committees within that process.

This Local Code of Corporate Governance sets out how Cherwell District Council complies with the requirements of the Code and identifies key documents, which provide detailed information as to how the Council ensures these Corporate Governance principles are adhered to.

Core Principles

The Council's Code of Corporate Governance is based on the CIPFA/SOLACE framework. The framework "Delivering Good Governance in Local Government" sets out seven core principles of good governance, these are:



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

B. Ensuring openness and comprehensive stakeholder engagement;

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

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

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

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

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

The Code specifically identifies the actions and behaviours taken by the Council in relation to each of these core principles and associated sub principles. The Code, along with its supporting infrastructure is set out below at Appendix A, with evidence of compliance summarised in in Appendix B.

The Accounts, Audit & Risk Committee is currently responsible for approving this Code and ensuring it is annually reviewed and updated accordingly.

Next Review date: September 2026

Appendix A - Actions and behaviours taken by the Council that demonstrate good governance.

As taken from 2016 CIPFA & SOLACE: "Delivering Good Governance in Local Government: Framework 2016 Edition"

Principle	Sub Principles	Council Actions and Behaviours
(A) Behaving with integrity, demonstrating strong Commitment to ethical values, and respecting the rule of law	Behaving with integrity	▪ Ensure that Members and Officers behave with integrity and lead a culture where acting in the public interest is visible and consistently demonstrated thereby protecting the reputation of the Council; ▪ Ensure that Members take the lead in establishing specific standard operating principles or values for the Council and its staff and that they are communicated and understood. These will build on the Seven Principles of Public Life (The Nolan Principles); ▪ Lead by example and use the above standard operating principles or values as a framework for decision making and other actions; and ▪ Demonstrate, communicate and embed the standard operating principles or values through appropriate policies and processes which will be reviewed on a regular basis to ensure they are operating effectively.
	Demonstrating strong commitment to ethical values	▪ Seek to establish, monitor and maintain the Council's ethical standards and performance; ▪ Underpin personal behaviour with ethical values and ensure they permeate all aspects of the Council's culture and operation; ▪ Develop and maintain robust policies and procedures which place emphasis on agreed ethical values; and ▪ Ensure that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the Council.
	Respecting the Rule of Law	▪ Ensure Members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations; ▪ Create the conditions to ensure that the statutory officers, other key post holders, and Members are able to fulfil their responsibilities in accordance with legislative and regulatory provisions; ▪ Strive to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders; ▪ Deal with breaches of legal and regulatory provisions effectively; and ▪ Ensure corruption and misuse of power is dealt with effectively.
(B) Ensuring openness and comprehensive stakeholder engagement	Openness	▪ Ensure an open culture through demonstrating, documenting, and communicating the Council's commitment to openness; ▪ Make decisions that are open about actions, plans, resource use, forecasts, outputs, and outcomes. The presumption will be for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential will be provided; ▪ Provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and will be explicit about the criteria, rationale and considerations used. In due course, the Council will ensure that the impact and consequences of those decisions are clear; and ▪ Use formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action.
	Engaging comprehensively with institutional stakeholders	▪ Effectively engage with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably; ▪ Develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively; and ▪ Ensure that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.
	Engaging stakeholders individual citizens and service users	▪ Establish a clear policy on the type of issues that the Council will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes; ▪ Ensure that communication methods are effective, and that Members and Officers are clear about their roles with regard to community engagement; ▪ Encourage, collect, and evaluate the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs; ▪ Implement effective feedback mechanisms in order to demonstrate how their views have been taken into account; ▪ Balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity; and ▪ Take account of the interests of future generations of taxpayers and service users.

Principle	Sub Principles	Council Actions and Behaviours
(C) Defining outcomes in terms of sustainable economic, social and environmental benefits	Defining outcomes	▪ Have a clear vision, which is an agreed formal statement of the Council's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the Council's overall strategy, planning, and other decisions; ▪ Specify the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer; ▪ Deliver defined outcomes on a sustainable basis within the resources that will be available; ▪ Identify and manage risks to the achievement of outcomes; and ▪ Manage service users' expectations effectively with regard to determining priorities and making the best use of the resources available.
	Sustainable economic, social and environmental benefits	▪ Consider and balance the combined economic, social, and environmental impact of policies, plans and decisions when taking decisions about service provision; ▪ Take a longer- term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the Council's intended outcomes and short-term factors such as the political cycle or financial constraints; ▪ Determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs; and ▪ Ensure fair access to services.
(D) Determining the interventions necessary to optimise	Determining interventions	▪ Ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore, ensuring best value is achieved however services are provided; and ▪ Consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.
	Planning interventions	▪ Establish and implement robust planning and control cycles that cover strategic and operational plans, priorities and targets; ▪ Engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered; ▪ Consider and monitor risks facing each partner when working collaboratively including shared risks; ▪ Ensure arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances; ▪ Establish appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured; ▪ Ensure capacity exists to generate the information required to review service quality regularly; ▪ Prepare budgets in accordance with organisational objectives, strategies and the medium-term financial plan; and ▪ Inform medium and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.
	Optimising intended outcomes	▪ Ensure the medium-term financial strategy integrates and balances service priorities, affordability, and other resource constraints; ▪ Ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term; ▪ Ensure the medium-term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage; and ▪ Ensure the achievement of 'social value' through service procurement planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community…over and above the direct purchasing of goods, services and outcomes".

Principle	Sub Principles	Council Actions and Behaviours
(E) Developing the Council's capacity, including the capability of its leadership and the individuals within it	Developing the Council's capacity	▪ Review operations, performance use of assets on a regular basis to ensure their continuing effectiveness; ▪ Improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the Council's resources are allocated so that outcomes are achieved effectively and efficiently; ▪ Recognise the benefits of partnerships and collaborative working where added value can be achieved; and ▪ Develop and maintain an effective workforce plan to enhance the strategic allocation of resources.
	Developing the capability of the Council's leadership and other individuals	▪ Develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained; ▪ Publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body; ▪ Ensure the Leader and the Chief Executive have clearly defined and distinctive leadership roles within a structure whereby the Chief Executive leads the Council in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority; ▪ Develop the capabilities of Members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political, and environmental changes and risks by: ➢ ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged; ➢ ensuring Members and Officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis; and ➢ ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external. ▪ Ensure that there are structures in place to encourage public participation; ▪ Take steps to consider the leadership's own effectiveness and ensure leaders are open to constructive feedback from peer review and inspections; ▪ Hold staff to account through regular performance reviews which take account of training or development needs; and ▪ Ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.
(F) Managing risks and performance through financial management	Managing Risk	▪ Recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making; ▪ Implement robust and integrated risk management arrangements and ensure that they are working effectively; and ▪ Ensure that responsibilities for managing individual risks are clearly allocated.
	Managing Performance	▪ Monitor service delivery effectively including planning, specification, execution and independent post implementation review; ▪ Make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the Council's financial, social and environmental position and outlook; ▪ Ensure an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the Council's performance and that of any organisation for which it is responsible; ▪ Provide Members and senior management with regular reports on service delivery plans and on progress towards outcome achievement; and ▪ Ensure there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).
	Robust internal control	▪ Align the risk management strategy and policies on internal control with achieving objectives; ▪ Evaluate and monitor the Council's risk management and internal control arrangements on a regular basis; ▪ Ensure effective counter fraud and anti-corruption arrangements are in place; ▪ Ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor; ▪ Ensure an Audit and Governance Committee which is independent of the executive and accountable to the Council: ➢ provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and ➢ that its recommendations are listened to and acted upon.

Principle	Sub Principles	Council Actions and Behaviours
(F) Managing risks and performance through robust internal control and strong public financial management	Managing Data	▪ Ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data;
		▪ Ensure effective arrangements are in place and operating effectively when sharing data with other bodies; and
		▪ Review and audit regularly the quality and accuracy of data used in decision making and performance monitoring;
	Strong public financial management	▪ Ensure financial management supports both long-term achievement of outcomes and short-term financial and operational performance; and
		▪ Ensure well –developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.
(G)Implementing good practices in transparency, accountability	Implementing good practice in transparency	▪ Write and communicate reports for the public and other stakeholders in a fair, balanced, and understandable style appropriate to the intended audience ensuring that they are easy to access and interrogate; and
		▪ Strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.
	Implementing good practices in reporting	▪ Report at least annually on performance, value for money and the stewardship of its resources to stakeholders in a timely and understandable way;
		▪ Ensure Members and senior management own the results;
		▪ Ensure robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publish the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (Annual Governance Statement);
		▪ Ensure that the Framework is applied to jointly managed or shared service organisations as appropriate; and
		▪ Ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.
	Assurance accountability	▪ Ensure that recommendations for corrective action made by external audit are acted upon;
		▪ Ensure an effective internal audit service with direct access to Members is in place which provides assurance with regard to governance arrangements and that recommendations are acted upon;
		▪ Welcome peer challenge, reviews and inspections from regulatory bodies and implement recommendations;
		▪ Gain assurance on risks associated with delivering services through third parties and evidence this in the annual governance statement; and
		▪ Ensure that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.

Appendix B – Cherwell District Council's Evidence of Good Governance

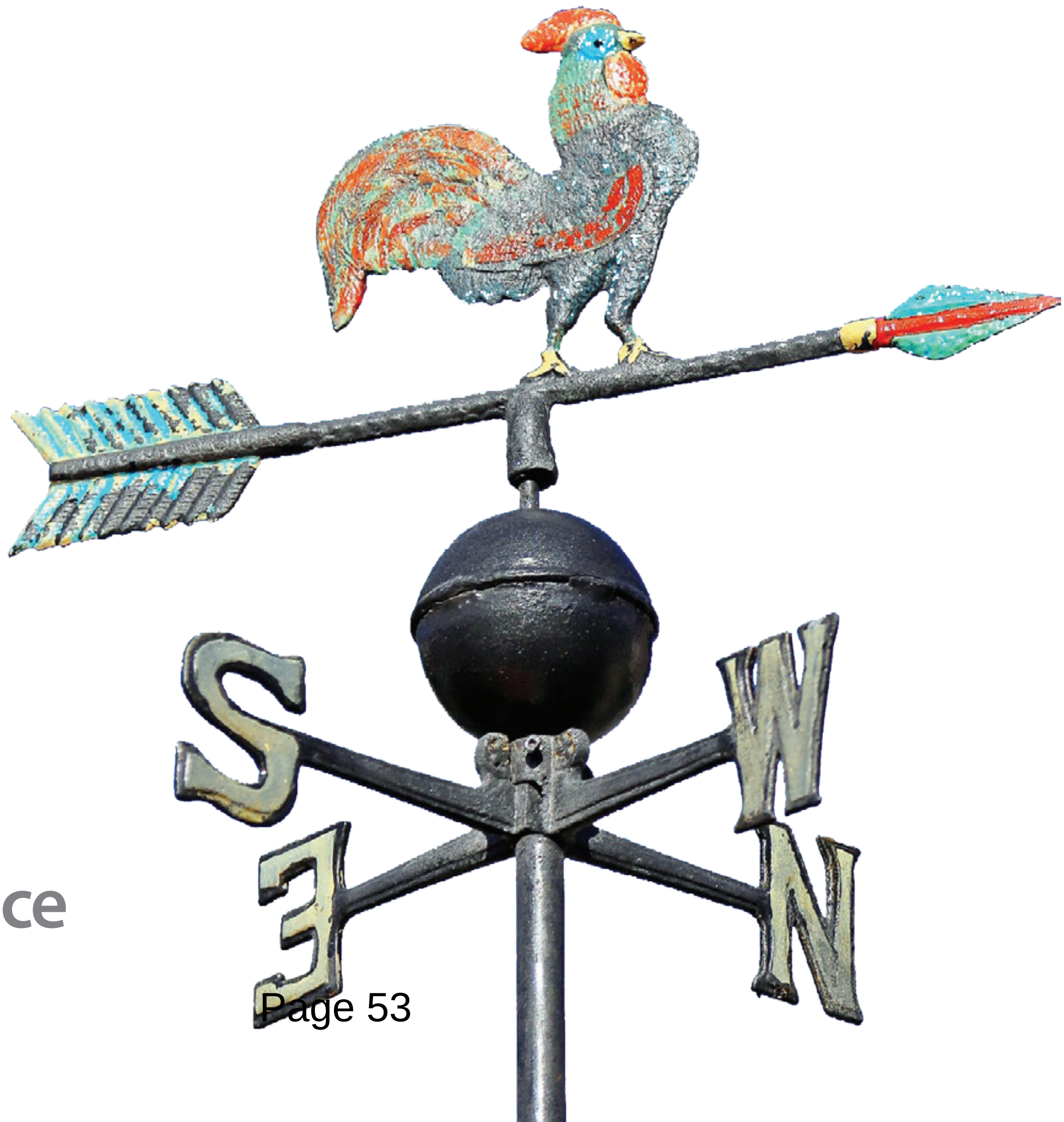
Core Principles	(A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	(B) Ensuring openness and comprehensive stakeholder engagement	(C) Defining outcomes in terms of sustainable economic, social, and environmental benefits	(D) Determining the interventions necessary to optimise the achievement of the intended outcomes	(E) Developing the Council's capacity, including the capability of its leadership and the individuals within it	(F) Managing risks and performance through robust internal control and strong public financial management	(G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability
Evidence of Good Governance	The Constitution	Cherwell District Council Website records all council meetings and key decisions	Executive Reports	Corporate Plan 2024/25	The Constitution	The Constitution Financial Procedure Rules	Accounts Audit and Risk Committee (AARC)
	Schemes of Delegation / Decision making protocols Committee Report preparation and review process including evaluation of implications. Annual counter fraud work programme, including both proactive and reactive work	Decision Making Protocols Forward Plan of Executive/Key Decisions Publication of decisions	Corporate Plan 2024-2025	Annual Budget and Corporate Planning process	Protocol on Members' Rights and Responsibilities Constitution – Opposition rights	Accounts, Audit and Risk Committee Annual Internal Audit Strategy and Work Programme. Annual Statement of Accounts & Plan Self-assessment against CIPFA's Financial Management Code.	Webcasting of meetings and allowing public attendance / questions AARC Terms of Reference
	Accounts Audit and Risk Committee Corporate Oversight and Governance Group	Corporate Complaints Procedure	Scrutiny Committees	Stakeholder Engagement	Member Induction/Development Programme	Overview & Scrutiny Committee and working groups	Scrutiny Committees
	Scrutiny Committee Standards Committee	Scrutiny Committee Work Programmes Health Overview and Scrutiny Committees (led by OCC)	Local Plan consultation	Business Cases including options appraisals	Organisational Development Programme	Performance, risk and finance reports.	Decision Making Protocols
	Contract Procedure Rules/ Financial Procedure Rules Financial Regulations	Public Meetings	Procurement & Social Value Policy		Chief Executive Appraisal process Leadership Development	Annual Governance Statement Director Assurance Statements / questionnaires to support development of the AGS	External audit of accounts and VFM opinion Annual Statement of Accounts
	Statutory Officer roles: Head of Paid Service (Chief executive), S151 Officer, Monitoring Officer. Chief Internal Auditor	Annual Budget Consultation	Business Cases including option appraisals to support decision making	Monthly Performance Risk and Finance Reporting	Annual Appraisal System. Continuing Professional Development (CPD)	External audit of accounts and VFM opinion/ statement of accounts/ medium term financial strategy	Annual Governance Statement Corporate Governance Assurance Framework
	Members' and Officers' Codes of Conduct Member/Officer Induction Programme Members'/Officers' Register of Interest	Co-production programme	Business and Budget Planning process including Service Plans	Medium Term Financial Strategy	Health and Safety Governance Framework and policies	Risk & Opportunities Management Strategy Risk Management Framework Risk Based Internal Auditing Service / planning	Head of Internal Audit Annual Report Annual Counter Fraud Report.
	Values "Team Cherwell" launch	Annual Residents Satisfaction Survey	Transparency Code	Procurement & Social Value Policy	Benchmarking	Leadership Risk Register	Internal Audit Service (via Veritau) delivered in conformance with the Global Internal Audit Standards (UK Public Sector)
	LGA Model Code of Member conduct	Published Annual Statement of Accounts, Annual Governance Statement	Equality Diversity and Inclusion Framework, Equality & Climate Impact Assessments, Climate Action Framework	Service Plans	Internally led reviews Independent challenge	Counter Fraud and Corruption Policy Anti-Money Laundering Policy Business Continuity Plans Contingency Planning Local Resilience Forum	Monthly Performance Risk and Finance Reporting

	Protocol on Member Officer relations	Monthly performance risk and finance reporting	Framework Risk & Opportunities Management Strategy, Risk Registers	Decision Making Protocols	External Reviews	Monthly Performance risk and finance reporting, Annual Budget and Corporate Planning process	Committee reports containing clear sections on implications, including consultation and risk management
	Counter Fraud Framework Counter Fraud and Corruption Policy	Transparency Code		Business Continuity Plans Contingency Planning Local Resilience Forum	Wellbeing advice Employee assistance programme	Internal Audit Strategy	Implemented the outcome of the Redmond Review independent persons on the AARC.
	Whistleblowing Policy Regulation of Investigatory Powers Act					Monthly Performance, Risk and Financial Reports	Register of gifts and hospitality for both members and officers

CIPFA
The Chartered Institute of Public Finance & Accountancy

delivering good governance

in Local Government
Guidance Notes for English Authorities
2016 Edition



solace

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance.

CIPFA values all feedback it receives on any aspects of its publications and publishing programme. Please send your comments to publications@cipfa.org

Solace, the Society of Local Authority Chief Executives and Senior Managers, is the representative body for senior strategic managers working in the public sector. We are committed to public sector excellence. We provide our members with opportunities for personal and professional development and seek to influence the debate about the future of public services to ensure that policy and legislation reflect the experience and expertise of our members.

The Chartered Institute of Public Finance & Accountancy

delivering good governance

in Local Government
Guidance Notes for English Authorities
2016 Edition

solace

Published by:

CIPFA \ THE CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY

77 Mansell Street, London E1 8AN

020 7543 5600 \ publications@cipfa.org \ www.cipfa.org

ISBN 978 1 84508 455 4

Designed and typeset by Ministry of Design, Bath
(www.ministryofdesign.co.uk)

Acknowledgements

THE WORKING GROUP

CIPFA and Solace are grateful to the following members of the Joint Working Group for their time and assistance in preparing this document.

Members

Julie Parker (Chair)	*Non-executive Director and Independent Consultant*
Charlie Adan	*Babergh District Council/Mid Suffolk District Council*
David Aldous	*National Audit Office (NAO)*
Ivan Butler	*Denbighshire County Council*
Brenda Campbell	*Convention of Scottish Local Authorities (COSLA)*
Kirsty Cole	*Newark and Sherwood District Council/Lawyers in Local Government (LLG)*
Richard Feltham	*Kent Fire and Rescue Service*
Russell Frith	*Audit Scotland*
Alan Gay	*Leeds City Council*
Alan Geddes	*formerly Highland Council*
Stephen Hughes/Sarah Pickup	*Local Government Association (LGA)*
Ruth Hyde	*Broxtowe Borough Council*
Graeme McDonald	*Solace*
Cat McIntyre	*Association of Police and Crime Commissioners (APCC)*
Jacqui McKinlay	*Centre for Public Scrutiny (CfPS)*
Terry Osborne	*Essex County Council*
Marion Pryor	*Conwy County Borough Council*
Jon Rae	*Welsh Local Government Association (WLGA)*
Joe Simpson	*Leadership Centre for Local Government*
Mike Suarez	*Cheshire East Council*
Jason Vaughan	*West Dorset District Council/Weymouth and Portland Borough Council*
Bill Wilkinson	*CIPFA's Police Panel/Police and Crime Commissioners Treasurers' Society (PACCTS)*
Ian Williams	*London Borough of Hackney*
Ness Young	*Bridgend County Borough Council*

Secretariat

Kerry Ace (Secretary)	*CIPFA*
Diana Melville	*CIPFA*
Rachael Tiffen	*CIPFA*

Observer

Shehla Husain	*Department for Communities and Local Government (DCLG)*

CIPFA would like to thank the authorities that have kindly supplied us with case study material.

Solace, the Society of Local Authority Chief Executives and Senior Managers, is the representative body for senior strategic managers working in the public sector. We are committed to public sector excellence. We provide our members with opportunities for personal and professional development and seek to influence the debate about the future of public services to ensure that policy and legislation reflect the experience and expertise of our members.

Preface

These guidance notes relate to Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) which is intended to be used as best practice for developing and maintaining a locally adopted code of governance.

These guidance notes are intended to assist local authorities and associated organisations and systems – combined authorities, joint boards, partnerships and other vehicles through which authorities now work – in reviewing the effectiveness of their own governance arrangements by reference to best practice and using self-assessment.

Contents

CHAPTER ONE

Introduction

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT: RELATIONSHIP WITH THE FRAMEWORK

1.1 *Delivering Good Governance in Local Government: Framework,* published by CIPFA in association with Solace in 2007, set the standard for local authority governance in the UK. CIPFA and Solace reviewed the Framework in 2015 to ensure it remains 'fit for purpose' and published a revised edition in spring 2016. A comparison of the principles from the Framework (2016) and those included in the Framework (2007) is included for information at Appendix A to these guidance notes.

1.2 The new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) applies to annual governance statements prepared for the financial year 2016/17 onwards.

1.3 The concept underpinning the Framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities
- there is sound and inclusive decision making
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

1.4 The Framework draws on earlier work on governance in the public services which is briefly outlined at Appendix B to these guidance notes.

1.5 It is intended that the Framework is used by local authorities (across their governance systems, structures and partnerships) including:

- county councils
- district, borough and city councils
- metropolitan and unitary boroughs
- the Greater London Authority and functional bodies
- combined authorities, city regions, devolved structures
- the City of London Corporation
- combined fire authorities
- joint authorities

- police authorities, which for these purposes since 2012 includes both the police and crime commissioner (PCC) and the chief constable
- national park authorities.

PURPOSE OF THE GUIDANCE NOTES

1.6 These guidance notes should be used in conjunction with the Framework. They are intended to assist authorities across their governance systems, structures and partnerships in reviewing and testing their governance arrangements against the principles for good governance. They will also help them in interpreting the principles and terminology contained in the Framework in a way that is appropriate for their governance structures, taking account of the legislative and constitutional arrangements that underpin them. However, it is not intended that these guidance notes are in any way prescriptive – all authorities are encouraged to consider carefully the content of the Framework and to use it in a way that best reflects their structure, type, functions and size.

1.7 These guidance notes are aimed at local government in England (separate guidance notes are being prepared for the police) and will be particularly useful for officers. They are intended to help those supporting political and officer leadership with establishing robust governance. They signpost component parts of the process and establish a hierarchy of support.

1.8 These guidance notes aim to assist authorities in:

- considering how they might go about reviewing their governance arrangements
- developing and reviewing governance arrangements across the whole governance system including partnerships, shared services and alternative delivery vehicles
- developing and updating their own local codes of governance
- demonstrating compliance with the principles of good governance.

1.9 The term 'local code' essentially refers to the governance structure in place, as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes or documents. For example, Staffordshire County Council draws together on a single sheet all its systems, processes and documents that contribute to the authority's governance. The extent to which they are in place and effective is considered as part of the authority's annual review.

1.10 It is suggested that, in using the Framework and guidance notes, authorities should nominate an individual or group of individuals within the authority who have appropriate knowledge and expertise and levels of seniority to:

- consider the extent to which the authority complies with the principles of good governance set out in the Framework
- identify systems, processes and documentation that provide evidence of compliance
- identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified
- identify issues that have not been addressed in the authority and consider how they should be addressed

- identify the individuals who would be responsible for undertaking the actions that are required.

1.11 The review of governance arrangements must be reported on within the authority, for example to the audit committee or other appropriate member body, and externally with the published accounts of the authority. In doing this, the authority is looking to provide assurance that:

- its governance arrangements are adequate and working effectively in practice
- where the reviews of the governance arrangements have revealed significant gaps which will impact on the authority achieving its objectives, what action is to be taken to ensure effective governance in future.

TERMINOLOGY

1.12 The terms 'authorities', 'local government organisations' and 'organisations' are used throughout the guidance notes and should be taken to cover any partnerships and joint working arrangements in operation. A full glossary of terms used in the Framework and guidance notes is included at Appendix C.

1.13 In the police service, where the accountabilities rest with designated individuals rather than a group of members, terms such as 'leader' should be interpreted as relating to the PCC or the chief constable as appropriate.

Context for the update

1.14 Local government continues to undergo significant change, much of which has been driven by austerity measures. In order to cope with this climate of austerity, authorities will need to continue to adapt the way in which they operate. Local authorities have responded by increasing collaboration and developing their role as 'enablers'. Authorities will continue to make difficult decisions which may mean that certain services are no longer provided, but in doing this they need to communicate effectively with their communities, service users, stakeholders and individuals to ensure that the most vulnerable citizens are protected.

1.15 In addition to economic and financial challenge, the integrated health and social care programme, devolution, the Localism Act 2011, the Police Reform and Social Responsibility Act 2011, the Cities and Local Government Devolution Act 2016 and other key legislation have brought new roles, opportunities and greater flexibility for authorities.

1.16 The development of combined authorities, devolution deals together with elected mayors brings about the chance to design governance structures from the bottom up. It provides the opportunity to ensure that the core principles of good governance covering openness and stakeholder engagement, defining outcomes, monitoring performance and demonstrating effective accountability are integrated and embedded within the new structures and that mechanisms for effective scrutiny are established. It is clear that to bid successfully for devolved power will require good governance to be demonstrated as well as crucial in using such powers effectively.

1.17 Other developments are resulting from the Home Office's wider responsibility for fire, encouraging greater collaboration between 'blue light' services. Fire authorities are now looking at mergers and joint working proposals with each other plus wider collaboration with the police sector.

1.18 New responsibilities and the development of innovative collaborative structures and ways of working provide challenges for governance such as ensuring transparency, and, in particular, for managing risk. Whether working with other authorities, public sector bodies, the third sector or private sector providers, local authorities must ensure that robust governance arrangements are established at the outset which provide for a shared view of expected outcomes supported by effective mechanisms for control and risk management thereby ensuring that the public purse is properly protected. It is vital that all joint arrangements observe all the principles of good governance and are managed and reviewed with the same rigour.

CHAPTER TWO

The ‘governing body’ in a local authority

INTRODUCTION

2.1 The International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) defines the governing body as:

The person(s) or group with primary responsibility for overseeing an entity’s strategic direction, operations and accountability.

2.2 In local government the governing body is the full council or authority.

RESPONSIBILITIES

2.3 Elected members are collectively responsible for the governance of the council. The full council’s responsibilities include:

- agreeing the council’s constitution, comprising the key governance documents including the executive arrangements and making major changes to reflect best practice
- agreeing the policy framework including key strategies and agreeing the budget
- appointing the chief officers
- appointing committees responsible for overview and scrutiny functions, audit and regulatory matters and also for appointing members to them.

2.4 The Local Government Act 2000 required councils with populations over 85,000 to adopt a mayor or leader and cabinet model. This meant decision-making power was placed with either a mayor directly elected by local residents or a council leader with a small ‘cabinet’ or ‘executive’ who had the power to make decisions both individually and collectively. Local authorities were also required to establish an overview and scrutiny function for members outside the cabinet through which they could question and challenge policy and the performance of the executive and promote public debate.

2.5 The executive is responsible for:

- proposing the policy framework and key strategies
- proposing the budget
- implementing the policy framework and key strategies.

2.6 The chief executive advises councillors on policy and necessary procedures to drive the aims and objectives of the authority. The chief executive leads a management team consisting of senior managers. The chief financial officer, monitoring officer and other senior managers are responsible for advising the executive and scrutiny committees on legislative, financial and other policy considerations to achieve the aims and objectives of the authority. They are responsible for implementing councillors' decisions and for service performance.

2.7 The Localism Act 2011 allowed councils in England to change their governance arrangements. They may adopt a committee based system for decision making as an alternative to the leadership/cabinet model or to a directly elected mayor model, should they wish, subject to a local referendum. The key elements of the framework include the following:

- Removal of restrictions, set out in the 2000 Act, which require all councils in England with a population of 85,000 or more to operate executive arrangements – either the leader and cabinet or mayor and cabinet model.
- Councils in England have the freedom to decide what governance model to adopt, including the committee system.
- Councils opting to operate the committee system are able to decide how to discharge their functions, subject to the requirement to have certain statutory committees, such as a licensing committee.
- Councils choosing to operate the committee system are not required to have an overview and scrutiny committee, under Section 21 of the 2000 Act.

2.8 Fire authorities and joint authorities, including waste disposal authorities, passenger transport authorities and combined fire and rescue authorities, do not have directly elected members. Instead they have members appointed to the authority by the local council. National park authorities also have members appointed by the secretary of state. Members are responsible for setting policies and priorities and the efficient and effective use of resources. These authorities do not have formal constitutions but rely on the schemes of delegation and operate a traditional local authority committee model. In fire and rescue authorities, the fire brigade operates as the executive arm with the fire service providing scrutiny.

2.9 In the police, police and crime commissioners (PCCs) and chief constables are corporations sole and are jointly responsible for governance. Separate guidance notes have been prepared for the police, but the principles included in the Framework are equally relevant to them.

CHAPTER THREE

Working in partnership

INTRODUCTION

3.1 Effective service provision has meant that local authorities have always needed to work in partnership with other bodies. However, joint working and the use of a range of alternative delivery vehicles has increased over recent years as local government has coped with less resources.

3.2 An individual council may retain responsibility for the provision of services but other councils or organisations may provide these on their behalf. Collaborations bring about stronger relationships between authorities which may result in a more formal relationship at a later stage such as a combined authority.

3.3 Examples of joint working include:

- joint commissioning with other public bodies
- joint ventures with other public sector bodies
- partnerships with the private sector, including outsourcing
- shared services such as:
  - joint management teams
  - joint provision with other local authorities such as back office functions
  - joint working in the fire service.

COMBINED AUTHORITIES AND DEVOLUTION

3.4 The Local Democracy, Economic Development and Construction Act 2009 permits combined authorities to be established; a legal structure that may be set up by two or more local authorities in England. The 2009 Act permits the authorities to undertake functions related to economic development, regeneration, or transport.

3.5 The Cities and Local Government Devolution Act 2016 gives combined authorities further powers to enable growth and public service reform in their areas. They are also permitted to have a directly-elected mayor who will be able to exercise the functions of the police and crime commissioner for their area. The 2016 Act requires each combined authority to set up at least one overview and scrutiny committee.

3.6 The Greater Manchester Combined Authority was established in 2011, and a devolution agreement was announced in November 2014. The devolution agreement provides the authority with additional powers to support business growth, join up budgets in health and social care and elect a metro mayor. Since then, deals with several other areas have been agreed. Devolution deals negotiated to date have mostly involved transfer of powers over services such as business support, further education and skills funding, transport budgets and land management, with involvement in health and policing being less common.

3.7 The devolution agenda is driving new and rapidly-evolving models of collaboration with a focus on place-based outcomes, bringing about specific challenges and issues for governance. For such arrangements, clarity of vision is crucial. It is also essential that at the negotiation stage, communities are able to understand what the objectives for devolution are and are consulted accordingly.

3.8 Devolved organisations will need to act transparently where there are potential conflicts between the long term view required for outcomes such as economic regeneration and short term factors such as the political cycle. Other key features for arrangements to be successful include strong collaborative – and clearly accountable – leadership (which doesn't feel like a takeover to those outside a dominant organisation).

3.9 Partnership working can be a challenge across local government, but working with other sectors adds greater complexity. Relationships between clinical commissioning groups and local authorities need to be clearly defined owing to statutory and cultural differences. Staff from each sector need to be clear regarding the outcomes to be achieved and that workforce differences are or will be addressed.

3.10 Where there are proposals to merge police and crime commissioner (PCC) powers with elected mayors, accountability will need to be carefully thought through as current police force areas are not coterminous with local government boundaries. Consideration will therefore be needed on how the mayor's accountability will be shared with PCCs.

CASE STUDIES

3.11 This section outlines four case studies which have been provided by the following authorities and shows how they have approached governance issues in relation to partnership working:

1. **Cheshire East** – establishing alternative service delivery vehicles.
2. **Leeds City Council** – developing a public service led mutual social enterprise.
3. **Anonymous** – joint committee governance arrangements – solving problems.
4. **Highland Partnership** – lead agencies for health and social care.

3.12 There follows a section highlighting questions that members and officers in an authority might consider to help ensure that the principles of good governance are embedded within the authority's partnership working.

3.13 The final section of this chapter outlines the issues to consider when looking at, implementing and reviewing arrangements for sharing chief executives and management teams.

Cheshire East Council – establishing alternative service delivery vehicles

The following case study looks at how Cheshire East Council set up alternative service delivery vehicles and outlines its approach to specific governance issues.

BECOMING A COMMISSIONING AUTHORITY

Cheshire East Council ('the council') set out a three year plan in February 2013 which would see the birth of new alternative service delivery vehicles (ASDVs) as a way of encouraging entrepreneurial spirit, innovation and culture change, helping to bridge the gap between budget availability and desired outcomes.

In order to support the delivery of a range of resident-focused outcomes, the council prioritised projects and rolled out a new project management framework and associated training, including a new two-stage project endorsement process involving senior officers from each professional discipline as well as members.

ANSA ENVIRONMENTAL SERVICES LIMITED

Ansa Environmental Services Limited (Ansa), an ASDV, was set up as a 'Teckal-exempt', wholly owned company of the council, enabling the council to directly award work to Ansa. It also offered the council a way of retaining corporate oversight via various governance processes including its group holding company, Cheshire East Residents First (CERF). The 'Teckal' exemption (now codified in Regulation 12 of the Public Contracts Regulations 2015) offers Ansa the opportunity to grow its business by allowing other public sector bodies to 'buy-in' to Ansa, thus dramatically speeding up procurement and mobilisation of new contracts for services and lowering traditional procurement costs.

CREATION OF ANSA

The council's environmental services and bereavement and street cleansing departments were ripe for change and there was significant support from employees, councillors and management for developing an arm's-length company as an alternative to full outsourcing.

Following a service review, focus groups and employee consultation, the departments were realigned to form Ansa and a separate company, Orbitas Bereavement Services Limited, which both began trading in April 2014. Ansa was set the challenge to maintain high quality services to over 165,000 households while delivering £2.5m in efficiency savings within the first five years and to grow its income by 2.5%. Ansa now delivers waste, street cleansing, fleet, grounds and parks services on behalf of the council and external customers and has added training and business change consultancy to its offering.

Kevin Melling, Ansa Managing Director, says:

Our success reflects the passion and commitment of managers and employees to making Ansa the best service provider it can be for the benefit of local residents and wider customer base. Ansa is performing well across all of its services, including raising the bar on its recycling rate and diversion from landfill and receiving external recognition for its parks and grounds delivery. The achievement of both Royal Society for the Prevention of Accidents Gold Award and ISO 9001 on the first year of entry reflects positively on the safety, efficiency and quality standards of the organisation. This, together with a strong financial performance, sets a platform for future growth and development of the company as Ansa becomes increasingly commercial.

Given that Ansa exceeded all of its key performance indicators (KPIs), delivered £1.3m of the five year savings' target early, and made an operating profit, confidence in Ansa is high. The council and Ansa are in discussions to extend the contract by a further ten years with the option of further extensions.

STAKEHOLDER ENGAGEMENT

Jane Thomason, Chief Operating Officer:

Effective engagement with stakeholders including clients, residents, employees and members is essential to our success, allowing us to deliver performance improvements and efficiencies across the business while maintaining high levels of customer satisfaction. Our passion and enthusiasm make us attractive as both a supplier and employer, as we work together to grow our business and deliver a high quality service.

PROJECT AND PROGRAMME GOVERNANCE

The ASDV projects were overseen by individual project boards and a programme steering group. Professional advice was procured before either party entered into new contractual arrangements. A formal business case and company business plan were developed and then independently audited. Final approval was achieved through a series of related cabinet papers, ensuring legal, financial and constitutional compliance. Following project-delivery, an in-depth 'lessons learned' session was held, significantly speeding up and smoothing implementation of later ASDVs.

CORPORATE GOVERNANCE

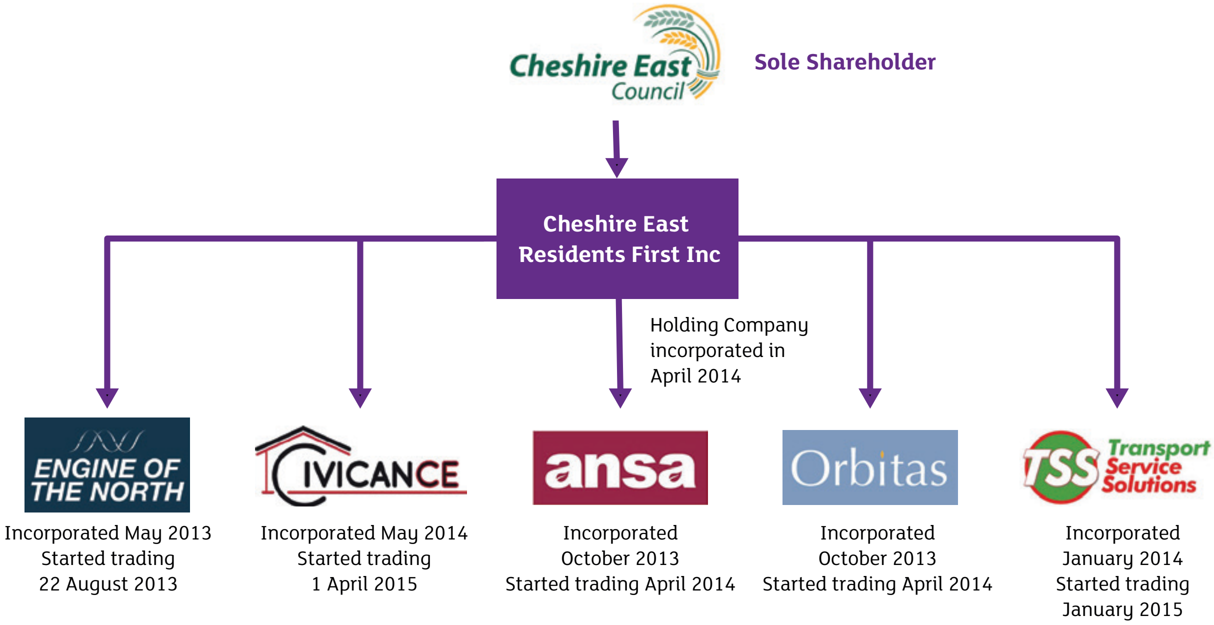
During the projects, a clear separation of roles was defined for those who would 'commission' and those who would 'deliver' the service. A detailed contract was agreed which included KPIs and a service specification drawn up by the commissioner and corresponding method statements from Ansa. An annual management fee review process was built-in together with an agreement to buy back those support services not due to transfer to the new company, providing a measure of stability, continuity, and, council control. Where appropriate, contracts were novated across to Ansa, with the balance either bought back via the council or re-tendered in Ansa's name.

New governance processes were developed and then approved by Ansa's board, including a balanced scorecard approach to risk management and a performance management framework. Ansa reports into a quarterly shareholder board and submits updated business plans via this route. The annual management fee is negotiated via the commissioning manager together with any in-year changes to scope of work and associated additional income and/or savings targets. Ansa has retained pre-existing employee terms and conditions including pensions. Where possible, Ansa is taking the opportunity to become more flexible and agile by streamlining processes and procedures, re-procurement of key contracts and realignment of resources.

FUTURE GROWTH POTENTIAL

Ansa is in talks with a number of public and private sector bodies about how it can work collaboratively and profitably to optimise resources, efficiency and deliver best value and is building a reputation for responsive and reliable, quality environmental services.

Group structure



Leeds City Council – development of a public service staff led mutual

Leeds City Council has recently encouraged and nurtured the development of a public service staff led mutual, Aspire Community Benefit Society, to deliver its in-house care services for adults with learning disabilities, enabling managers and staff to build a long term sustainable future for a service to over 1000 of the city's most vulnerable adults. In doing so it has freed up the enterprising spirit of staff to operate in an organisational form that is established to benefit the needs of the community.

The challenge was to ensure that the transition process and the new alternative delivery model governance arrangements were carried out in accordance with the authority's governance and decision-making frameworks.

The key areas in which both internal governance processes relating to the transfer of the service, and the governance arrangements for the new alternative delivery model, were delivered have been outlined under the principles contained in the council's code of corporate governance.

BEHAVING WITH INTEGRITY

The social enterprise agreed to adopt the council's HR policies and procedures, and there was also agreement to buy back support services, which provides good conduct and behaviour in line with the council's existing standards.

DEFINING OUTCOMES FOR THE COUNCIL AND COMMUNITY NEEDS

The proposal for the creation of a social enterprise for learning disability services was intended to contribute to the delivery of the city and council's priorities in the following areas:

- Civic enterprise – a new leadership style for local government where councils become more enterprising, businesses and other partners become more civic and citizens become more engaged.
- Better lives through enterprise – a revised role for adult social care, as it moves from being a direct provider of services to being a co-ordinator of the provision.
- Ensuring quality services that are viable and sustainable.
- Socially responsible employers in the marketplace, stimulating jobs and good growth locally.

In addition, the detailed service specification was drawn up to promote the delivery of the council's learning disability strategy and the priorities of customers:

- More opportunities to be available for disabled people in mainstream services, eg leisure, education and employment.
- More choice and easier access to housing.
- A skilled workforce able to meet a diverse range of need in the community and at home.
- Innovative ways of meeting the needs of individuals within shared support environments.
- Specialist services to support individuals with very complex needs in Leeds and prevent them from being sent out of area away from their communities.

HAVING CLEAR RESPONSIBILITIES AND ARRANGEMENTS TO DELIVER EFFECTIVE ACCOUNTABILITY

Clear governance arrangements for the alternative delivery model were integral to the transfer of the service. The social enterprise has a board of directors and comprises a non-executive chair, six members of the company (three of whom are union stewards), three people who use the services, three independent non-executive specialists from the community and three nominations from the council.

DETERMINING THE INTERVENTIONS NECESSARY TO ACHIEVE INTENDED OUTCOMES

A strategic governance board (chaired by the executive member for adult social care) was established from the outset and included representation from across the council and trade unions.

Terms of reference were established for the strategic governance board to ensure that everyone was aware of its function and its decision making capacity.

DEVELOPING THE ENTITY'S CAPACITY INCLUDING THE CAPABILITY OF MEMBERS AND OFFICERS

The service obtained independent support from the Cabinet Office Mutuals Support Programme. Part of this support focused on testing and updating the existing five year integrated business plan. This involved working through the preferred legal and governance models of the alternative delivery model.

The social enterprise has a five-year contract with the council, based on the council's standard terms and conditions, with a contract price based on an agreement to buy-back support services (such as HR, IT and finance) from the council. The contract will be monitored by the council's own monitoring officers and there will be quarterly performance review meetings with an overall annual review of the contract.

COMPREHENSIVE STAKEHOLDER ENGAGEMENT

A formal consultation with staff was undertaken, with each staff member being invited to attend both informal and larger scale engagement events, with trade union representatives present. This was followed by a staff survey where 78% of staff members voted in favour of moving the service to a social enterprise. The social enterprise has confirmed its commitment to positive employee relations and collective bargaining. The social enterprise has proposed a joint negotiation and consultative committee and a health and safety committee very similar to that which is currently in place in the council.

Feedback gathered from current service users was used to shape the service specifications and ensure that the services to be provided are in line with current and predicted future needs for people with learning disabilities, as detailed in the adult social care market position statement.

Anonymous – joint committee governance arrangements – solving problems

This case study was included in the 2012 guidance notes but it remains relevant and provides useful pointers in today's climate.

The joint committee had always performed well, requiring little involvement from the lead authority and had returned substantial annual dividends to member authorities. Then things started to go very wrong; there were significant operational failures and excessive spending and falling revenues wiped out almost all the profits. Governance arrangements were in place for the historically stable organisation but it became rapidly apparent that they were not sufficient in a dynamically changing environment with 'rogue' factors at work. Stopping the decline and returning the organisation to good performance and profitability took an enormous amount of time, cost and effort with massive reputational and personal risk for some officers.

The governance arrangements in place and written into the constitution covered:

- the purpose and objectives of the organisation
- the role and responsibilities of the director
- the role and responsibilities of the statutory officers from the lead authority
- the delegations and authority of the director
- financial and contract procedure rules.

Arrangements were also in place in relation to lead authority control and oversight of banking arrangements. This proved critical to the early identification by the lead authority of problems arising (through observation of cash flows) when the organisation's reporting to members was inaccurate and misleading.

Problems in applying good governance were as follows:

- Arrangements were ignored by key people. Decisions were being made but not transparently reported.
- The size of the joint committee was an issue. Its membership covered a wide cross section of 'owning' authorities but with no relationship (local or political) other than being present at the same committee meetings three or four times a year.
- The members had little understanding of the role of the lead authority so when advice was given it was repeatedly ignored.
- The director was not line managed by any authority so there was an inability to direct a change in behaviour or approach.
- The role and purpose of the organisation had become blurred and misunderstood over time and was potentially in conflict with the local authorities that 'owned' it.
- In the absence of an audit committee, governance concerns were not independently and closely monitored.
- Whistleblowing arrangements were ineffective as they were not sufficiently independent.
- The activity wasn't actually unlawful, making it difficult for the lead authority to 'force' action to be taken.
- Member decision making was technically correct in governance terms (formal reports from the lead authority clearly stated the problems but members chose not to agree recommendations).

Improvements made to avoid a recurrence of problems (once the problems had been resolved and action eventually taken) included the following:

- Member training – their role, the role of the organisation and the role of the statutory officers.
- A strategic officer group was established chaired by the lead authority and consisting of senior officers from all the member authorities which now meets in advance of each committee meeting to consider implications and hold the director to account.
- A small and focused audit committee has been established.
- A whistleblowing hotline and website through to lead authority has been set up. It is therefore independent of the organisation's management.
- The constitution, delegations and procedure rules have been reviewed and updated by officers of all member authorities ensuring everyone is aware of them and members are fully briefed.

Highland Partnership – lead agencies for health and social care

This case study looks at the partnership established by the Highland Council and NHS Highland to provide adult health and social care.

LEAD AGENCY MODEL

The Highland Council and NHS Highland entered into a partnership agreement in 2012, heralding the beginning of service integration. This was the start of a five year plan which set out the vision and expected outcomes for improving health and social care.

The council and health board had considered alternative governance models, such as a new body corporate between the organisations, but settled on ‘single governance, single management and single budget’ via the lead agency model. This was influenced by developments in English authorities, such as Torbay Council and North East Lincolnshire Council.

Accordingly, since 2012, adult social care has been commissioned by Highland Council from NHS Highland, as part of an integrated approach to the delivery of adult health and care services. Community based child health has been commissioned by NHS Highland from Highland Council, and delivered within a single department that includes education and children’s social care. Fifteen hundred social care staff transferred to the health board and 200 health staff transferred to the council to deliver these services.

The lead agency model depends on the following arrangements:

- A joint approach (with partners) to strategic planning and commissioning, with the development of a joint strategic plan that establishes strategic direction and improvement outcomes (co-ordinated by each lead agency).
- The commissioning agency sets out the service requirement, and provides the resource to achieve it. This is in line with, and integrated into, the strategic plan.
- The lead agency delivers the service requirement, against performance outcome targets and standards.
- The commissioning agency monitors the delivery of the commission against the agreed outcomes.

A governance structure was put in place in each organisation to ensure effective decision making, monitor progress and continue to modify arrangements as the transformation programmes progressed. This was based on existing legislation, and a strategic commissioning group brought the agency leaders together with other stakeholders to help ensure continuing joined up decision making.

DEVELOPMENTS SINCE 2012

In 2014, changes in Scottish legislation to drive health and care integration across the country resulted in the development of the integration scheme with the partnership agreement remaining as detailed guidance. This also marked the transition from the strategic commissioning group to a joint monitoring committee.

This change provided an opportunity to further review the governance arrangements to minimise duplication and bureaucracy, while still providing robust scrutiny, and in particular to ensure that:

- the governance arrangements are predicated on the lead agency principles of ‘single governance, single budget, single management’

- each lead agency has a single governance committee to scrutinise performance and to consider policy and service development
- the governance structure provides an acceptable level of assurance as well as a route for further scrutiny should that assurance not be achieved
- assurance reporting is scheduled to reflect meaningful information and progress to mirror collection of much of the data and to enable scheduling of governance meetings for lead agency and commissioner reporting.

The review focused on the best arrangements to achieve the improved service outcomes, the articulation of strengths and weaknesses in the current system, and exploration of options to deliver better, consistent governance across the lead agencies.

The first stage of the review involved asking “what is it that we need to discharge our governance responsibilities?” The second stage considered “recommendations regarding the establishment and population of a structure to achieve this”.

The joint monitoring committee also took account of the expanding role of the locality partnerships, which had been developed to influence the local delivery of health and care and were developing a wider community planning role. Although not part of the governance structure of the lead agency model, these partnerships are considered integral to the local delivery of the strategic plans. It is envisaged that each locality will maintain and monitor local plans for improving services to adults and children, reflecting local and authority-wide priorities and outcome targets.

The review has clarified the process whereby the lead agency will provide scrutiny over the delivery of services, and the commissioning agency will receive assurance reports based on the exercising of that scrutiny, and will receive a regular performance report relating to the delivery of the outcomes that are set out in the commission.

It is intended that the performance report will take the format of an agreed template, for use by both adult and children’s services, wherever possible based around critical outcome indicators, and will only include proxy process or input indicators where outcome measures are not possible.

These various formal processes will be supported by ongoing, formal and informal liaison between officers and senior members of the board and council, as it is recognised that good governance is supported by ongoing good working relationships.

EMBEDDING THE PRINCIPLES OF GOOD GOVERNANCE IN PARTNERSHIPS

3.14 The following section highlights questions that members and officers in an authority might consider when looking at, implementing and reviewing partnership arrangements. They are set against the principles of good governance from Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016).

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

3.15 It is important that values are agreed for partnerships at the outset and that they are clearly understood and communicated.

- Have values for the partnership been agreed and have they been communicated to all concerned?
- How will they be monitored?
- Are there any particular issues that need to be resolved as a result of working with private sector providers?
- Do all the partners share in these values?
- Has the 'tone from the top' been established?
- Is there clarity over partners' statutory duties?
- Are the leaders and staff associated with the partnership committed to it?
- How will a collaborative partnership be built/maintained and parochialism be guarded against?

B. Ensuring openness and comprehensive stakeholder engagement

3.16 For partnership working to be effective, partners must have trust in each other and therefore be open with each other and their stakeholders about their activities. Where different sector bodies are working together, the partnership will need to understand and accommodate the different cultures of partnership organisations. For example, the multi-faceted focus of a local authority versus the singular focus of a health organisation. This could potentially influence the level of importance placed on a partnership by different organisations, and is therefore an important consideration.

3.17 The legislative and governance arrangements underpinning different sectors should also be taken into account. For example, local authorities have local political leadership, in the NHS board membership is made up of officers and non-executive directors, and charities will have trustees (often dedicated volunteers).

- Is there high level agreement between the partners concerning the value of and intention towards partnership working and collaboration?
- Is the importance of trust recognised at all levels and its role in supporting change?
- Is the partnership taking place in an atmosphere of trust?
- How will those leading the partnership ensure that different cultures within partnership organisations are understood and respected?

- What issues might different cultures generate? Are there any that might cause problems and if so, how might they be resolved?
- Do the partners understand how the governance arrangements in each partner operate?
- What issues might different governance arrangements introduce? Are there any that might cause problems and if so, how might they be resolved?
- Have exit arrangements been defined? What might trigger them?
- How are conflicts dealt with?
- How will effective communication be developed and maintained?
- How will effective stakeholder engagement be maintained?

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

3.18 Partnership working may be employed for a number of reasons, for example to improve service quality and outcomes. Combined commissioning may be aimed at increasing spending power and reducing costs.

- Is there a shared vision and are there clearly defined outcomes that have been agreed upon by all partners and are supported by stakeholders?
- Has the vision been communicated appropriately?
- Where a longer term view is required in relation to agreed outcomes, how will a focus be maintained when there are potential conflicts such as the political cycle or immediate local challenges to deal with?
- Have appropriate performance indicators been agreed by the partners?
- Will working in partnership add value?
- Have the benefits been clearly mapped out?

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

3.19 Even where it appears obvious that working in partnership will improve outcomes, there still needs to be detailed discussion at a strategic level to clarify the aims of the partnership and specific issues such as control of resources.

- Is there a clear strategy on what is to be delivered and how this is to be done?
- Do members and officers receive support in making decisions in respect of their partnership roles?
- Are partner roles and responsibilities agreed and understood?
- Is there clarity over who has the responsibility to make decisions?
- Has consideration been given to the best way to evaluate the effectiveness of joint activities in achieving goals?
- Have clear parameters been established covering such issues as:
  - structure
  - control

  - devolved decision making
  - accountability.
- Have structures and processes been negotiated and are they written in to terms of agreement?

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

3.20 Effective partnership working requires a different type of leadership – one that is distributed across organisations. Therefore leaders need to be empowered to work within and across organisations where they may not have hierarchical authority over others. Dedicated roles are also required to do this. This type of leadership requires different forms of communication, interaction and power sharing as well as staff development.

3.21 With regard to leadership, the following could be considered:

- While developing partnership arrangements/devolved arrangements, how will the organisation ensure that it does not lose sight of its own current challenges?
- Does the partnership have strong, effective and collaborative leadership?
- Are members able to scrutinise and challenge effectively?
- Are partners able to work flexibly and is this reflected in their attitude so that it benefits the partnership?
- Is there a consistent policy in place for dealing with differences in employment terms and conditions?
- Do partnership leaders have the ability to work across organisational boundaries and to confront and influence the barriers that they may encounter?
- Do those in the partnership have the authority to make decisions?
- Do they have the resources required in relation to the partnership's remit and their own responsibility to deliver results?
- Are the levels of delegation of control over services/spending matched between partnership organisations?
- Do those involved in governance roles within the partnership have the skills required?
- What particular skills are required in a devolved arrangement? For example, commercial awareness and the ability to negotiate/broker deals. How will such skills be acquired if they are currently not available?
- Do those in governance roles in the partnership know how to deal with apparent competing and/or conflicting demands and interests in respect of the partnership versus their authority role?
- Is training available for them?
- How will difficulties be dealt with?
- Are there any strategic and operational management gaps between organisational boundaries? If so, how will they be managed?

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

3.22 Partnership working can introduce specific challenges in terms of risks facing partners and the need for effective internal control and public financial management.

3.23 Local authorities need to scrutinise the governance of partnership arrangements closely. Although scrutiny committees may not be permitted to access all the information they would like owing, for example, to contractual arrangements with private sector providers, their oversight of outsourced services and joint operations should still allow for an element of openness and accountability that might otherwise not exist. Good practice in scrutiny is covered in Chapter six of this guide.

- Has an appraisal of the various options been undertaken?
- Is the business case for the proposal sound?
- When considering outsourcing a service has an effective due diligence process been undertaken?
- Are there clear structures and processes in place for balancing innovation and risk?
- Are partnerships reviewed regularly to see how effectively they are working?
- Do contracts with private sector providers include appropriate break clauses that would enable renegotiation if circumstances change?
- Are funding arrangements clearly specified?
- Are appropriate systems in place so that expenditures against milestones and deliverables can be properly managed?
- Do those involved in partnerships between different sectors (such as local government and health) understand the different finance systems, terminology and performance measures used by the other sector?
- How is the risk profile for joint ventures considered prior to agreement?
- How are risks associated with the partnership identified and managed?
- Are the risks facing each organisation carefully considered and monitored as part of joint work, particularly any shared risks?
- How are risks shared?
- Has a risk share agreement been drawn up?
- How are the following dealt with:
  - cost overruns
  - different performance and financial frameworks in place in partner organisations?
- Does the partnership provide for consistent monitoring and measurement?
- How are partnerships scrutinised?
- How will the budget be scrutinised and monitored in a devolved arrangement?
- What is the impact of a devolved arrangement on management reporting?
- How effective is the scrutiny?

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

- Does the partnership report on its performance on a regular basis?
- Are partnerships covered in the annual governance statement?

Further guidance

- The Commissioning Joint Committee Guide to Alternative Bases of Service Provision (CIPFA, 2012)
- Crossing the Border: Research into Shared Chief Executives (Local Government Association, 2012)
- The Excellent Finance Business Partner (CIPFA, 2015)
- Fischbacher-Smith M (2015) Minding the Gaps: Managing Difference in Partnership Working, *Public Money and Management*, *35*, 195–202
- Johnson K (2015) Public Governance: The Government of Non-state Actors in 'Partnerships', *Public Money and Management*, *35*, 15–22
- Local Government Governance Review 2015: All Aboard? (Grant Thornton, 2015)
- Responding to the Challenge: Alternative Delivery Vehicles in Local Government (Grant Thornton, 2014)
- Shared Chief Executives and Joint Management: A Model for the Future? (IDeA, 2009)

SHARED CHIEF EXECUTIVES AND MANAGEMENT TEAMS – QUESTIONS TO CONSIDER

3.24 The following section highlights questions that members and officers in an authority might consider (in the light of the good governance principles) when looking at, implementing and reviewing arrangements for sharing chief executives and management teams.

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

Consideration and implementation stages

- Should authorities declare their non-negotiable issues/areas early on to help build trust?
- Do the authorities have similar cultures (management as well as organisational)? If not, would it be beneficial to consider how they might be brought closer together?
- In the event of talks breaking down, how will the authorities ensure that they retain a good relationship in the future?

Review stage

- Has an atmosphere of mutual trust between the authorities and key players been maintained? How can officer support assist here?
- Have any problems arisen as a result of different cultures? How have they been resolved?
- Are members and officers personally committed to the initiative?

B. Ensuring openness and comprehensive stakeholder engagement

Consideration and implementation stages

- Has there been an open debate between the senior officers and members of the authorities about the costs and benefits of the proposed scheme?
- How can momentum be maintained during talks?
- Do the authorities have an agreed media management policy in place for communicating with the public?
- How will successes be communicated to the public?
- What communication channels will need to be established to reach all levels of the authority? How will they be enacted to ensure updates on a regular basis, for example a weekly bulletin or regular emails communicating successes and future plans? These can be used to build relations with new members/officers.

Review stage

- Has effective communication been maintained at all levels?

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

Consideration and implementation stages

- Has a common vision of the outcome of the shared service/shared chief executive arrangement been agreed by all parties?
- Has the vision been agreed between the authorities prior to working out the detail of the arrangement?
- Are the plans locally driven?
- How can a clear and consistent political will be encouraged?
- Would it be helpful for the authorities to agree a set of joint priorities?
- What will be the outcome/benefits for the community of sharing the chief executive/ other shared arrangements?
- Is there a clear exit strategy if required and how would it be triggered?
- How will the on-going support of the members be secured? How will that support be used for promoting the initiative to staff and the wider public?

Review stage

- Have the outcome/benefits for the community of sharing the chief executive/other shared arrangements been realised?
- Are the authorities now under different political control? What particular challenges did this introduce and how were they overcome?
- Is there a common vision of the outcome of the shared service/shared chief executive arrangement that has been agreed by all parties?

- Where benefits have not been realised, how will this be resolved?

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

Consideration and implementation stages

- Are the proposed arrangements sufficiently flexible so that they enable the authorities concerned to be able to access the managerial expertise they require in-house on a sustainable basis?
- How will expectations be managed regarding what can be delivered in relation to shared chief executive arrangements and other shared services? Has the use of technologies that might overcome problems regarding logistics been fully considered?
- Will the shared chief executive have access to appropriate resources – such as a personal assistant at each local authority – to ensure he/she can work effectively?
- What arrangements will be put in place to evaluate the success of the shared arrangements and to identify areas for improvement?

Review stage

- Have the arrangements to evaluate the success of the shared arrangements worked effectively?

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

Consideration and implementation stages

- Are there opportunities for the chief executives and leaders concerned to develop good relationships with other authorities with the potential to share services prior to more detailed discussions?
- How can equity between the authorities be assured so that the initiative is not perceived as a takeover or one council appearing too self-interested (for example, in relation to officer appointments)?
- How will fears be allayed that in the chief executive structure, one authority might be prioritised over another?
- Would it be helpful for members to be able to voice concerns/expectations on a regular basis possibly with members from the other authority?
- How will the shared chief executive retain a connection with staff?
- How will fears by members about loss of officer support be allayed?
- How will the authorities ensure that the shared vision is followed through?

Review stage

- Has staff morale been maintained?
- Is there still clear and robust leadership which focuses on outcomes?
- Has organisational efficiency been maintained?
- Do members receive effective officer support?
- Is the structure sufficiently flexible? Will it accommodate changes in the partners' circumstances?

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

Consideration and implementation stages

- Has political buy in been secured at an early stage?
- Are the estimated savings on which the plans are based 'realistic'?
- Are the services between the authorities sufficiently aligned to enable synergies to work?
- Has the scheme secured the support of officers?
- How will a balanced process involving officer appointments between the authorities in the case of a shared management team be managed?
- How have the risks of the proposed approach been assessed? How will they be managed?

Review stage

- Is there still political and officer support for the initiative?
- Were the estimated savings on which the plans are based 'realistic'?
- Have any unexpected problems materialised? How were they dealt with?

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

- How will the authority ensure that accountabilities remain clear to the public?
- Is the authority's leadership clear to all stakeholders?

CHAPTER FOUR

Practical examples and case studies

CASE STUDIES FROM LOCAL GOVERNMENT

4.1 A number of authorities have supplied material, illustrated below, on how they have tackled governance issues across a range of areas:

- Essex County Council – embedding good governance across the organisation.
- Broxtowe Borough Council – an ethical mind set.
- Conwy County Borough Council – an entrepreneurial council.
- Cardiff City Council – various issues.
- Staffordshire County Council – governance framework illustrated in a single sheet.
- West Midlands Pension Fund – good practice in stakeholder engagement.

Essex County Council – embedding good governance across the organisation

This case study outlines Essex County Council's actions to improve its governance arrangements and establish a culture of good governance.

INTRODUCTION

In 2010, Essex County Council ('the council') made a solid commitment to enhance its corporate governance arrangements in support of its transformation process. The council's reputation was under the spotlight following the departure of the previous leader during the House of Lords expenses scandal. Both matters led to the establishment of a corporate governance project championed by the subsequent leader of the council and the then chief executive. In time, this has led to a robust 'business as usual' culture of good governance across the authority.

The project first identified gaps in the council's systems and processes by inviting external auditors to carry out two 'ethical governance audits'. Their findings were combined with those from internal assurance services to create a programme of work, outlined each year in the council's annual governance statement.

The initial phase of the project saw a focus on making improvements in the structure, clarity and robustness of systems and policies. Once the bulk of that was underway to give the work a foundation, the project's focus shifted to cultural and behavioural considerations, and to working out how to embed those improvements across the whole of the organisation. A key goal was to enshrine good governance as a responsibility for all leaders, not just those few charged with specific governance roles.

LEADING FROM THE TOP

The council established a corporate governance steering board chaired by the leader of the council. Its membership includes the leaders of the three main political groups. Supported by a bespoke corporate governance performance report, the board monitors governance arrangements and helps to identify areas for improvement. Influential elected members are thereby seen to set the standard for others to follow.

The project was sponsored by the chief financial officer, providing senior leadership from among the officer corps. In time it was handed to the council's monitoring officer to embed the new processes and culture across the council under 'business as usual'. The monitoring officer remains responsible for the council's assurance framework.

DEDICATED RESOURCE

The council committed appropriate funding to the project to ensure it was adequately resourced and could bring about a real step change in the control environment. The project was run as part of the council's transformation programme, recognising that good governance is key to successful organisational change.

One of the benefits realised by the project was the establishment of a permanent resource dedicated to co-ordinating the council's governance arrangements after project closure. This is not a compliance role but one of analysis and co-ordination, maintaining the council's focus on this key area, bringing together people from across the council in shared responsibility.

ASSURANCE FUNCTIONS

Some years ago, the council brought together all its assurance functions (other than finance) into a single team led by the monitoring officer. This created a strong and cohesive team, made up of professionals from various disciplines, to work together to improve and embed good governance. The team brings together corporate lawyers, auditors, strategic risk advisers, democratic services officers, officers from scrutiny, equalities, health and safety, business continuity planning and member support. The team works together and with others to identify areas of weakness and deliver improvements which benefit the council and its residents.

CHANGING BEHAVIOURS

The latter part of the project and subsequent work was aimed at influencing attitudes, values and behaviours. The improvement project was as much about this as it was about changing the 'nuts and bolts'. A tone was set by the leaders of the organisation which was then echoed through all subsequent internal communication as improvements were implemented, line managers 'walked the talk' through extremely high completion rates of the governance e-learning course, and a major internal consultation and focus on reducing perceived bureaucracy has made it easier for people to knowingly do the right thing.

Some key elements delivered across the council during this time were as follows:

- The creation of a regular 'corporate governance dashboard' to support informed conversations among officers and members about the council's governance.
- The development of bespoke corporate governance e-learning modules, mandatory for all relevant employees and councillors, and publicly endorsed by group leaders and the councillor-led 'member development steering group'.

- The development of enhanced induction arrangements for officers and members which feature corporate governance.
- A review of cabinet and committee governance, including decision-making.
- Raising the profile of freedom of information legislation and complaint handling data to encourage personal responsibility and transparency.
- Implementation of a 'Speak Up!' campaign.
- Updating and strengthening the role of the monitoring officer in the council through the creation of a dedicated corporate governance budget and team.
- A review of the scrutiny function.
- Implementation of automated audit (internal and external) recommendation tracking.
- A 'bonfire of bureaucracy' – a thoughtful employee engagement exercise with a provocative name, encouraging open debate about the role of bureaucracy and bringing about a number of employee-led improvements.

Broxtowe Borough Council – an ethical mind set

Each year the management team at Broxtowe Borough Council undertakes an ethical exercise as part of an away day. The team looks across sectors at high profile cases showing where something has gone wrong, for example Volkswagen and Operation Yewtree. The team asks itself if something similar could occur at the authority and if it did, would it have been uncovered by the current governance framework? The authority has found this approach to be a creative way of undertaking a governance enquiry using a fundamentally ethical mind set rather than using a checklist.

Extracts from the reports presented at the council's away days are set out below drawing on experiences in the NHS.

LEARNING LESSONS FROM RECENT EXPERIENCE IN THE NHS

Purpose of the report

To stimulate a discussion about what relevant lessons can be learnt from NHS experience, various parts of which have been the subject of a number of critical reports following major failings in patient care, with a view to incorporating lessons which can be learnt into our management practice within Broxtowe.

Detail

The management failings in a number of NHS trusts have been examined in some detail to identify the key aspects of poor, unsafe or dangerous practice. Within this report each inquiry is examined in turn, identifying the main management failings associated with each, and questions for reflection are set out to aid our discussion. There are three overarching themes which are summarised below.

1. **Inadequate use of data**

In each case, those responsible for running the establishment should have known of failings which were only fully uncovered following external review. Good management analysis of data which was already available would have highlighted dangers, signals and problems. However, through:

- fragmentation (an inability to piece together data which existed in different places)
- a pursuit of other priorities which were thought at the time to be more important
- a lack of urgency
- an inability to use the data to create momentum for change

the problems which should have been identified and dealt with continued to the detriment of patient care.

2. **Insufficient emphasis on customer (patient) care and insufficient knowledge about what was happening on the front line**

Managers became detached and insulated from the problems at each establishment, with the result that they:

- either did not know or did not care sufficiently
- did not adequately prioritise the problems which existed
- were not strongly motivated to urgently put problems right.

In most cases they 'lost the plot' – forgetting the main purpose of their management activity and putting other goals, particularly financial ones, ahead of patient care.

3. **Accountability**

In each case the opprobrium heaped on the aforesaid failing managers is tangible. There is a new clamour for managers to be held to account for their past failings. New models with which to measure effectiveness are being used and are being used retrospectively to identify specific failings and individual culpability. The use of data (quantitative and qualitative) and the rigour with which we as managers hold responsible officers (and each other) to account for quality service delivery will be increasingly demanding and relevant to local government in the coming days, particularly where lives are at risk.

NHS HOSPITAL

A television documentary by Panorama in May 2011 exposed the shocking routine mistreatment of people with learning disabilities.

The failings identified included the following:

- Almost half of patients were placed far away from home (not within easy reach of relatives).
- Average length of stay was 19 months – predominantly people were admitted after a crisis but there was no urgency relating to move on plans.
- There were a very high level of recorded physical interventions (restraint which could not under any circumstances have been considered 'normal').
- Opportunities to pick up failings in quality of care were repeatedly missed, eg patients attended A&E on 78 occasions; police had 29 reported incidents and there were 40 safeguarding reports to the local Council.
- Routine healthcare needs were not attended to, for example dental problems.
- There was little opportunity for outsiders to observe daily living, which enabled the development of a closed and punitive culture.
- A failure of provider to pick up on any of the above markers or provide a focus on clinical governance or key quality markers.
- Adult safeguarding systems failed to link together disparate pieces of information.
- Serious failings in commissioning led to failure to assess the needs of individuals and promote their rehabilitation back home. There was a lack of evidence that people had meaningful activity during the day.
- Mental Health Act Commissioner failed to follow up referrals and the Care Quality Commission (CQC) did not respond to whistleblowing.

QUESTIONS TO REFLECT ON:

- Do our performance management arrangements alert managers to 'danger signals'?
- Do our systems (particularly concerning vulnerable people) enable us to piece together information from multiple sources?
- Do we have clear 'quality models' we can benchmark services against?
- Do we reflect on the quality of our commissioning processes and learn lessons when we go wrong?

- Do our complaints and whistleblowing processes work properly in all situations, eg in retirement living?
- Do we need to promote the complaints system and promote advocacy and/or independent visiting arrangements?
- Should we do more to promote feedback on service quality especially where vulnerable people are involved?

KEOGH REVIEW INTO THE QUALITY OF CARE AND TREATMENT PROVIDED BY 14 HOSPITAL TRUSTS IN ENGLAND

Sir Bruce Keogh was asked by the prime minister to conduct a review into the quality of care and treatment provided by hospital trusts with persistently high mortality rates. This was prompted by the fact that the failures at Mid Staffordshire NHS Foundation Trust were associated with failures in all three dimensions of quality: clinical effectiveness, patient experience and safety. He selected 14 hospitals for investigation based on the fact that they were outliers for the previous two years on the hospital mortality index or standardised mortality index.

Sir Bruce Keogh adopted a methodology which included looking at hard data and combining that with soft intelligence. The model combined a clear trigger for action followed by detailed data analysis leading to key lines of enquiry rather than an inspection based on a predetermined framework. He used a multidisciplinary diverse team 15 to 20 strong (including patients, front line doctors and nurses) to go into the hospitals to get under the skin of each hospital. There were no rigid tick box criteria. Staff and patient focus groups were important in the new process.

FINDINGS

- Poor hospitals regard listening to staff and patients and engaging them in improving services as a low priority.
- Poor hospitals have limited capability to use data to drive quality improvement.
- Boards had not grasped the quality agenda because they were chasing other targets, such as waiting times. Often financial challenges took a higher priority than dealing with quality issues.
- Some trusts were acting in professional isolation. This meant that they were 'behind the curve' and not in touch with best practice.
- There was a lack of value and support given to front line officers.
- Some boards used data simply for reassurance rather than the forensic sometimes uncomfortable pursuit of improvement.

QUESTIONS FOR REFLECTION

- Do we run the risk of 'hitting the target but missing the point'?
- Do we have any areas of in-attentional blindness?
- Do we have an over-emphasis on overcoming the financial challenge we face at the expense of quality failing or customer failing?
- Are we sufficiently well in touch with best practice?
- Do we use data for reassurance rather than the 'forensic sometimes uncomfortable pursuit of improvement'?

- Do we place sufficient emphasis and value on what front line staff think of our progress/ service delivery quality?

Conwy County Borough Council – Entrepreneurial Council 2015

The following case study demonstrates how Conwy County Borough Council ('the council') considered the outcomes it wished to achieve and was able to take advantage of an innovative opportunity to assist towards the achievement of its vision. The project was to develop a strategic approach for delivering major events in order to use them to raise the profile of the area and create an economic benefit for the county.

In 2010, the council recognised that events are an important part of the area's economy, which led to the development of the first events strategy. The strategy acts as a key economic driver, with the corporate events programme being seen as an essential part of the council's regeneration work across the county.

THE PROJECT'S OBJECTIVES

In addition to the desire to raise the profile of the area and provide an economic boost, the council wanted to maximise the use of built and natural key assets, eg water sports, outdoor activities, cultural events, Theatr Colwyn, Venue Cymru, Porth Eirias and Eirias. Central to the approach has been to get Conwy County noticed on the world map, and this was achieved through attracting a certain calibre of events and the partners involved, such as international motor sports who organise and run Wales Rally GB, the thirteenth round of the World Rally Championship.

THE COUNCIL'S APPROACH

The council's strategy does not sit on a shelf but rather is a 'way of life'; it's about doing the best for the area in which people work and live. It's called the **three Ps!:**

1. **Place** – what we have to offer.
2. **People** – who we serve and our team.
3. **Passion** – our love of what we do and the beautiful location of Conwy County.

The council saw an opportunity and gap in the market because of other public sector organisations pulling away from supporting events as they considered them not to be core activities. Elected members and senior team showed vision, commitment and a forward thinking outlook. They bought into the strategy and because of this the council has been able to take advantage of the opportunities and increase the number of successful events the county hosts or runs.

Some would say that what the council is doing is bold and brave when the authority is under pressure to protect core services, but the authority sees the work that is done on events as underpinning the economy of the county and an essential part of the council's priorities. The focus over the next few years is to continue to push the boundaries and attract events that generate significant direct economic, social and cultural benefits to Conwy County.

THE PROJECT'S ACHIEVEMENTS

The most significant achievement is the financial return. The council has been able to independently verify that over the last two years, for every £1 in sponsorship that has been invested, the authority has seen a return on investment of over £32.00. On top of the measured financial return there is the considerable coverage that the county receives by hosting world events as well as other measures, such as the events programme definitely contributing to Llandudno being voted the number three destination in the UK to visit behind Edinburgh and London.

Cardiff City Council – practical examples

The following examples illustrate where Cardiff City Council ('the council') has been able to improve its governance arrangements in various areas.

GOVERNANCE AND ENGAGEMENT PROJECT

As part of an organisational development programme, the council has a governance and engagement project, led by the director of governance and legal services, which reports to the enabling and commissioning board (chaired by the corporate director resources) on a monthly basis. The project aims to ensure that the council has robust governance arrangements by "promoting openness through increased citizen engagement and information sharing, enabling transparent decision making and providing clearer opportunities for people to participate in decision making processes".

IMPROVING SCRUTINY

The council has also adopted an improving scrutiny project, which has formulated 20 development actions, one of which is an annual self-assessment by the council's five scrutiny committee chairs on the conduct and impact of scrutiny. The assessment methodology is based on the Characteristics of Effective Scrutiny in Wales, which makes parallel provisions to parts of the revised governance Framework (and will be reviewed to consider any further changes to reflect the revised CIPFA/Solace Framework).

RELATIONSHIP MEETINGS

We have introduced an arrangement whereby internal audit officers have a 'relationship meeting' with each director every quarter, which is proving to be useful and mutually beneficial. It provides for a regular dialogue between internal audit and senior management to help the understanding of risks, challenges and priorities across directorates, to enable audit resources to be targeted to best effect, thereby ensuring internal audit continues to add value. This also provides an opportunity to discuss matters arising from audits and working together to consider how the internal control environment can be best enhanced, recognising the resource pressures faced by management teams.

SENIOR MANAGEMENT ASSURANCE STATEMENT

All council directors are required to complete a senior manager assurance statement (SMAS) every six months, and internal audit officers offer a challenge to how the statement is completed, seeking more evidence to support a director's view. The council has developed its statement over the years and believes it is very effective in recognising the key role directors play in owning governance arrangements and being held to account for this.

The SMAS has also become a key means of highlighting and monitoring the significant issues within the council, which may or may not be captured as part of the corporate risk management arrangements, so that senior managers as a whole can be made aware of emerging issues and seek a strategic corporate means of mitigating the associated risks. The council intends to introduce a separate assurance statement for the chief executive to complete at year end.

CORPORATE PARENTING AND SCHOOL GOVERNOR APPOINTMENTS

In order to improve the effectiveness with which the council discharges its corporate parenting role for all children in the care of the local authority, the council has established a corporate parenting advisory committee. Similarly, in order to improve the process for school governor appointments, the council has established a local authority governor panel.

Staffordshire County Council – single sheet framework

Staffordshire County Council draws together on a single sheet all its systems, processes and documents that contribute to the authority's governance. The extent to which they are in place and effective is considered as part of the authority's annual review. The document is reproduced below.

Staffordshire County Council Corporate Governance Framework

Principles, Statutory Obligations and Organisational Objectives

Meeting Statutory Obligations	Implementing Local Vision	Working Together to Achieve a Common Purpose	Adherence to Ethical Values
Meeting Organisational Objectives	Taking Effective Decisions	Developing Members and Officers	Maintaining a Community Focus

Corporate Governance comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities

Key Documents: Annual Review/Production

Annual Outturn Performance and Finance Reports
Annual Information Governance Statement
Corporate Information Security Policy
Corporate Property Strategy
Corporate Risk Register
Delegations from/to Directors
Business Plan
Innovation & Efficiency Board
Internal/External Audit Protocol
ICT Strategy
Medium Term Financial Strategy
Members Allowances Scheme
Prudential Code & Treasury Management Strategies
Risk Management Policy Statement
Statement of Accounts
Strategic Plan
Staffordshire Strategic Partnership Priorities

Key Documents: Ad-hoc Review/Production

Anti-Fraud Work Plan
Business Continuity Plans
Change Management Framework
Communications Strategy
Community Engagement Framework
Constitution
Corporate Procurement Strategy & Regulations
Equality and Diversity Information
Financial Regulations
Health and Safety Policies
Information Governance Framework
Integrity Policy Statement
Internet Transparency Pages
Member/Officer Relations
Members' Code of Conduct
Officer Employment Procedure Rules
Officers' Code of Conduct
Partnership Policy
Performance Management Framework
Record of Decisions
Whistle Blowing Policy

Contributory Processes/ Regulatory Monitoring

Annual Governance Statement
Audit and Standards Committee
Budget Accountability Statements
Corporate Governance Working Group
Corporate H&S Process
Corporate Intranet
Council Tax Leaflet/Information
Customer Feedback Process
Director of Finance and Resources
Consultative Forums
External Audit
Finance and Resources
Head of Paid Service
H&S Champion
Independent Remuneration Panel
Inspectorate Reports
Internal Audit
Job Descriptions
Job Evaluation Process
Law & Governance
Member Training
Monitoring Officer
My Performance Conversation
Schedule of Council Meetings
Scrutiny Framework
Staff Induction
Staff Surveys
Staffordshire Web
Organisational Development
Safer Recruitment
Staffordshire Magazine

West Midlands Pension Fund – good practice in stakeholder engagement

This case study looks at the arrangements that West Midlands Pension Fund has in place for effective engagement with its stakeholders. CIPFA carried out a governance assessment at WMPF in 2015 and this case study is drawn from the findings.

INTRODUCTION

West Midlands Pension Fund (WMPF) is one of the larger local government administrated pension funds in the country. Affiliated to Wolverhampton City Council by statute, the fund is an autonomous organisation with its own governance arrangements.

WMPF has over 275,000 members and 450 scheme employers as at 31 March 2015. It has 116 staff and is governed by a pensions committee whose role is to manage, administer benefits and strategically manage the fund's assets. It is a committee of Wolverhampton City Council (the administering authority) which has representation from the seven West Midlands metropolitan district councils and local trade unions.

STAKEHOLDER ENGAGEMENT

WMPF's stakeholders include recipients of pensions, members who are paying in to the fund, and employing organisations. There is a culture of open and constructive engagement by WMPF with its key stakeholders and the interests of members are at the forefront of the way WMPF is governed and managed.

WMPF has a variety of ways in which members and organisations are engaged. This is guided by its customer engagement strategy that sets out why and how it engages with its stakeholders and includes:

- Surveys (available online at www.wmpfonline.com, via customer service advisors and in reception) which record feedback on many aspects of customer service including the quality of written material, online communication, in-person customer service, as well as gathering data on whether customers believe they are treated fairly by the fund.
- Quarterly briefing notes and e-newsletters for stakeholders.
- A robust complaints process which is monitored by the compliance and risk function of the fund.
- A self-service officer compliment system where data is captured regarding customer compliments.
- A customer journey mapping programme which ensures stakeholders are involved in changes to internal processes designed to benefit customers.
- Face-to-face contact, for example at WMPF events such as the annual general meeting (for trustees and employer) or roadshow programme or visitors to the reception (available to all members at any time).

QUALITY IMPROVEMENT

WMPF has a culture of quality improvement. For example, the staff forum is the primary vehicle for providing feedback to identify service improvements to customers. Customer service training is provided as core training for front line staff.

In addition, there are defined quality assurance systems, independently accredited such as the customer service excellence award. WMPF established consultation groups to review the

2014 changes to the pension scheme, and they increased the availability of information and presentation services to customers to help raise awareness of the 2014 scheme changes.

WMPF is very open about the services it provides, its performance and decisions that are taken. This information is all easily accessible and available on its website. Pension committee meetings are open to the public (except for reserved business) and minutes are also made available on the council's website.

CASE STUDIES FROM OTHER SECTORS

4.2 Sectors other than local government can be useful in providing learning points, particularly in this era of increased collaboration. Set out below are the following case studies:

- Mid Staffordshire NHS Foundation Trust
- Barnsley College
- Stakeholder engagement
- Includem
- Northern Ireland Events Company

Mid Staffordshire NHS Foundation Trust

Mid Staffordshire NHS Foundation Trust is well known for the failings that occurred prior to 2010 in relation to the operation of the health care system as a whole. The key events and timelines are noted in the following table as concerns about the trust increased.

2001	■ Stafford Primary Care Group wrote a report critical of the Mid Staffordshire General Hospital's management and leadership
2002	■ The Commission for Health Improvement published a highly critical report of the trust's low staffing levels, poor quality of clinical data and poor standards of cleanliness
2003	■ A peer review report into care for critically ill and injured children raised serious concerns about the accident and emergency department
2004	■ The trust received a Healthcare Commission zero star rating after receiving a three star rating the previous year
2005	■ The Barry Report looked into whistleblowing complaints
2006	■ The trust requested £1m for redundancies on two occasions ■ A peer review of critical children's services and the accident and emergency department raised serious safety concerns ■ The trust's auditors raised concerns over risk management and assurance
2007	■ A national report on mortality rates showed that the trust was the second worst outlier in the country ■ Mortality alerts for a number of conditions raised Healthcare Commission concerns ■ The Royal College of Surgeons' report described a dysfunctional surgical department at the trust
2008	■ Mid Staffordshire NHS Trust was awarded foundation trust status ■ The Healthcare Commission launched a full investigation into the trust
2009	■ The Healthcare Commission report revealed: – a chronic nursing staff shortage – equipment problems – poor weekend medical cover – a bullying culture – that targets overrode quality ■ The health secretary announced an independent inquiry into the trust's failings following further reports and calls for a full public inquiry

The following summary outlines some specific governance failings that were noted in the Report of the Mid Staffordshire NHS Foundation Trust Public Inquiry (the Francis report), published in 2013, and how they fit with the respective principles from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014).

A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW

- There was a negative culture at the trust and one of self-promotion rather than critical analysis.

- An ineffective trust whistleblowing policy meant that warning signs pointing to serious problems were not resolved.
- The regulator fiercely guarded its independence rather than fostering good relationships with others.
- The local medical community failed to raise concerns until it was too late.

B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

- There wasn't a culture of openness or stakeholder engagement so instances of poor care were not addressed.
- Staff and patient surveys continually gave signs of dissatisfaction but no effective action was taken.
- Problems indicated by formal assurance systems were ignored and put down to poor record keeping.
- Insufficient priority was given to communication with regulatory and supervisory bodies.

C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS

- The trust pursued the wrong priorities and prioritised finances and the foundation trust application over care quality.
- The regulator focused on corporate governance and financial control without properly considering issues of patient safety and poor care.

D. DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES

- The board permitted a mismatch between the resources allocated and the needs of the services to be delivered.
- There was no detailed scrutiny by the oversight body regarding the impact of the trust's financial plan and associated staff cuts on patient care.

E. DEVELOPING THE ENTITY'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT

- The trust lacked a sense of collective responsibility for ensuring quality of care.
- Poor leadership, recruitment of staff and training led to declining professionalism and tolerance of poor standards.
- The trust board took false assurance from good news and tolerated/explained away bad news.
- Senior clinical staff were disengaged from the trust's leadership.

F. MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT

- Priority was given to ensuring the trust's books were in order for its foundation trust application.
- The purchaser/commissioning function was re-organised but a system to manage the inevitable risks was not put in place.
- Metrics focused on patient safety and outcome based performance measures were replaced with more indirect ones.

- It was unclear who had responsibility for following up peer review recommendations.

G. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING, AND AUDIT, TO DELIVER EFFECTIVE ACCOUNTABILITY

- The regulator relied on the trust's assurances regarding quality issues.
- External agency responsibilities and accountabilities were not well defined resulting in 'regulatory gaps'.
- Serious concerns raised by auditors were not picked up by the regulator and the Department of Health.
- Local scrutiny committees failed to appreciate the seriousness of the signs indicating the trust's deficiencies.

Barnsley College – a further education college in the North East of England

BACKGROUND

Barnsley College is a large tertiary college serving Barnsley and surrounding areas in South Yorkshire. In 2013/14 it had 9,550 students and generated an operating surplus of £1.35m.

Over recent years Barnsley College has undergone a massive redevelopment, with many superb new facilities available to students. Work on the Old Mill Lane campus was completed in 2011 and this now serves as the main campus building. The college invested just over £8.8m in capital projects in 2013/14.

In 2010, governance at Barnsley College was judged to be outstanding according to its inspection report. This case study describes the characteristics of this college's governance.

OVERVIEW – THE PROVIDER'S MESSAGE

Chair of Governors:

Following the crisis in 2000, three successive principals brought their particular focus and specialisms into play, until the college was judged outstanding in 2010. Along the way, the make-up, delivery and practice of governance changed too. But the biggest series of changes to the governing body and to governance itself has occurred since 2008.

THE GOOD PRACTICE IN DETAIL

Governance at Barnsley College was judged good in 2003 and 2007, and outstanding in 2010. The chair of governors at that time, Frank Johnston, was appointed in 2009, having been vice-chair for the previous seven years. He identified the catalyst for the transition from good to outstanding as a change to the practice of governance. There is a participative approach in which the chair, the board and the principal work together to achieve common goals. This partnership model is also central to the principal's approach to the wider leadership and management of the college.

The 2003 inspection report stated that "governors and senior managers set a clear strategic direction and give strong leadership", and the 2007 report that "the college is well led and governance is good, the principal and governors have reviewed the mission and strategic aims which now focus more clearly on learners and their achievements."

By 2010 the inspection report made it clear that governance had moved up a gear to outstanding:

Governors make a valuable contribution to setting a clear strategic direction and ambitious targets for the college. They understand the college and its context extremely well and monitor academic and financial performance rigorously. The full governing body considers curriculum and quality matters, which enables governors to have a clear strategic oversight of performance.

In the words of the chair:

The governing body is more concerned with outcomes than protocols; its model of governance is that the college is a business, the governors are non-executive directors and the principal is the executive director.

To make it work, the board embraced a participative, team-based approach in which governance is dynamic, business-minded and community-focused. The board's essential role remains traditional in the sense that it sets and reviews the college's mission, values and strategic priorities, but the framework within which it operates has been changed. It is highly structured and focused and incorporates the following features:

- The annual process of setting strategy begins with a two day governors' strategic seminar held in January. The seminar is the start of the process of updating the development plan, which is the key strategic document.
- The senior management team (SMT) formally proposes the college's strategic priorities to governors at the March board meeting. Once the strategic priorities are agreed, the SMT produces the following year's development plan which is presented to the board for approval in July.
- The development plan provides a challenging framework and articulates the strategic priorities agreed by the board in March.
- Progress against the development plan is monitored regularly by governors, the SMT and other managers. Throughout the year governors receive updates on specific developments such as external inspections and progress reports relating to specific strategies and action plans.

Within this structure, there is much else that is good practice. For example:

- Board papers and reports are as succinct as possible, as are most documents produced for governors' consideration.
- Governors receive briefing packs on events and progress between board meetings.
- A link governor scheme involves governors making one or more linked visits to the college each year after which governors provide written feedback for the governing body and the principal. Each visit is linked to a strategic priority.
- Governors undergo a formal interview process and their skills are assessed against a skills matrix. Vacancies are advertised and targeted at community groups or employers when specific skills are sought.
- Individual appraisals for governors have been introduced.
- Governors produce an annual self-assessment report using a ten-point checklist.

Stakeholder engagement

The following is taken from an example provided by the Institute of Internal Auditors – Australia. It shows how an organisation can develop a stakeholder relationship and communication plan.

A public sector entity introduced a plan to identify and categorise its stakeholders. Stakeholder power was determined along with attention and influence. By initiating communication and stakeholder management, the entity can now identify and manage mutual interests more effectively while accomplishing organisational objectives.

The benefits of a stakeholder management system include the following:

- The most influential stakeholders are identified and their input can then be used to support the entity.
- Support from the most influential stakeholders will assist the entity in achieving its objectives.
- By frequently communicating with stakeholders, the entity can ensure that it fully understands the benefits offered as well as the associated costs.
- The entity can anticipate likely reactions of stakeholders to organisational communications and progress more effectively, and can build into its strategy the actions that will be needed to capitalise on positive reaction while avoiding or addressing any negative reactions.
- The entity can identify conflicting objectives among stakeholders and develop a strategy to resolve any issues that arise.

Includem

This case study illustrates how a small charity in Scotland ensures that its values are embedded across the organisation. CIPFA carried out a governance assessment at Includem in 2015 and this case study is drawn from the findings.

BACKGROUND

Includem is a registered charity constituted as a limited company under the Companies Act 2006. It has an annual turnover of £3.8m and employs 90 staff mainly in the west of Scotland. It provides one-to-one support to society's most vulnerable and troubled young people, providing intensive support in the community to around 400 young people each year across Scotland. It works primarily to support young people aged 12 to 18 who are subject to formal measures of care and who are looked after at home or in other community placements. Most of Includem's work is commissioned by local councils and grant awarding bodies.

Includem recognises the need not just to be a supplier of services to local government, but also to share the same values as its client councils and seek common outcomes for citizens.

EMBEDDING CORE VALUES

Includem's values are explicit, easily understood and memorable. The application of those values is apparent in the following ways:

- Testing candidates during recruitment exercises to see if they share the same values. This involves staff at different functions and levels (not just line managers) in the selection process.
- Reviewing again knowledge of values during annual appraisals and monitoring behaviours and staff conduct to ensure consistency with those values.
- Using a monitoring system specifically designed to oversee the welfare and protection of young people (one of the main risks at Includem).
- Involving all staff (including 'back office' personnel) in annual events who engage with their young people and their families, to celebrate success and share in positive outcomes which helps to further the entity's values.
- Ensuring the values and purpose of Includem are widely known by all staff and board members.
- Ensuring that at board meetings young people are the main focus of discussions and that decisions taken are about sustaining the services provided to them.

Northern Ireland Events Company

This case study illustrates what can happen when an organisation loses sight of its core purpose. It highlights the risks when setting up new public bodies and problems with strategic drift.

Analysis of The Northern Ireland Events Company (2015), a report produced by the Northern Ireland Audit Office (NIAO), shows that the Northern Ireland Events Company (NIEC) displayed weaknesses in almost all aspects of governance, including:

- a lack of scrutiny and oversight
- examples of conflicts of interest
- deficits caused by financial mismanagement
- failure to uphold ethical standards
- an unacceptable level of performance and accountability by the accounting officer.

Among a catalogue of failure was that NIEC lost sight of its original purpose. It was incorporated as a limited liability company with a remit to support major events in Northern Ireland. Its main source of funding was provided by central government and it was controlled by a board of publicly appointed non-executive directors. Day to day management was carried out by an executive management team, headed by a chief executive, who was also appointed accounting officer by the sponsor department.

Originally, NIEC was established because government believed that a separate events organisation, sponsored and funded by a government department, could attract private sector investment and be at 'arm's-length' from government. It was therefore established as a private company limited by guarantee.

A major contributing factor to the failure of NIEC was a change in strategic direction to take ownership of and promote events, as well as to grant fund events. Initially, NIEC primarily provided grant funding to external event organisers who took the bulk of the risk relating to events and limiting any losses to the amount of grant provided to organisers. However, within five years of being established, NIEC began to become involved in promotional activities related to major events, motocross events being one example. In promoting events NIEC contracted directly with, and paid fees to, rights holders. It also contracted directly with and paid suppliers for goods and services. This change in strategic direction greatly increased the financial risk to which NIEC was exposed.

Investigations, notably by company inspectors appointed by the Department of Enterprise, Trade and Investment (DETI) under Article 425(2) of the Companies (Northern Ireland) Order 1986, found no evidence that the change in strategic direction from grant funder (with limited liabilities) to a promoter (with unlimited liabilities) was supported by a NIEC board decision or approved by the sponsor government department. Instead, it appears that the change came about as a result of 'strategic drift' over a period of time. According to the auditors, some board members told company inspectors that they were unaware that NIEC was promoting events. Having failed to identify the significant change in business activities, the board did not recognise the increased financial and operational risk that this change brought with it.

ANNUAL GOVERNANCE STATEMENTS

Reporting

4.3 Local authorities are required to prepare a governance statement in accordance with *Delivering Good Governance in Local Government: Framework* and to report publicly on the extent to which they comply with their own code of governance on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the governance and internal control framework of an organisation.

4.4 Key good practice features of an annual governance statement are described below:

- The statement has been properly approved.
- It is regarded as a valuable means of communications which will enable stakeholders to understand the authority's governance arrangements.
- It is easily accessible by authority members and members of the public, for example:
  - through its prominent display on the authority's website
  - publishing it with, but separately from, the statement of accounts.
- It has been clearly thought out and reflects the vision, character and structure of the authority, ie the big picture and not the detail.
- It demonstrates ownership by the authority and has a high status within senior management.
- It is a genuinely shared effort with wide input from outside the finance and audit functions.
- It is a key document for showing how the authority is achieving its strategic objectives.
- It is in an open and readable style.
- It demonstrates challenge.
- Issues are clearly articulated and it communicates a clear and concise message.
- Weaknesses together with areas for improvement are highlighted.
- It clearly communicates what has been done to resolve significant control issues and what remains to be done.
- Actions identified are specific, measurable, achievable, realistic and time-related (SMART).
- Responsibility for those actions is clearly identified.
- It is a 'living' document, ie it is not focused exclusively on year end and communicates significant issues which may change from year to year.

4.5 Other innovative features might include the following:

- Good use of diagrams to communicate the message more effectively and reduce the need for text.
- Use of hyperlinks to key governance documents to facilitate a brief and more user friendly statement.

Examples

4.6 Set out below are some recent annual governance statements (AGSs) from the following organisations that illustrate some of the points summarised above:

- London Borough of Lewisham
- Milton Keynes Council
- Huntingdonshire District Council
- Kent Fire and Rescue Service

London Borough of Lewisham – extract from AGS 2014/15

HOW HAS THIS STATEMENT BEEN PREPARED?

Every year a review of the effectiveness of the council's governance framework is conducted by the annual governance statement working party which comprises a team of policy, legal and audit officers with expertise in governance and internal control matters. The group meets quarterly to collate and evaluate governance evidence and identify areas requiring action, and is responsible for analysing CIPFA/Solace guidance in relation to the development of this statement and ensuring that the statement is approved via the council's key control mechanisms.

WHAT ARE THE COUNCIL'S GOVERNANCE ARRANGEMENTS?

The council's governance arrangements aim to foster:

- effective leadership and high standards of behaviour
- a culture based on openness and honesty
- an external focus on the needs of service users and the public.

Lewisham's directly elected mayor provides the council with clear strategic direction and effective leadership, but the council also benefits from the perspectives and contributions of its 54 councillors.

The council's constitution clearly defines the roles of councillors and officers, and this clarity contributes to effective working relationships across the council. The constitution working party, the standards committee and the audit panel monitor and challenge the governance arrangements and ensure their robustness. The council has worked closely with its partners, both strategic and operational, primarily through the Lewisham congress, which had its first annual meeting in October 2014.

The council has two statutory partnership boards:

1. The safer Lewisham partnership, which works to protect the community from crime and help people feel safer.
2. The health and wellbeing board, which works to identify local health challenges and lead on the activity necessary to address them.

Milton Keynes Council – extract from AGS 2013/14

Annual Governance Statement Action Plan 2013/14

	Issue	Action	Outcome	Lead Officer	Completion Date
1	There is a budget gap as identified in The Medium Term Financial Plan	Effective process used for managing budgets and monitoring and achieving identified savings	2014/15 outturn in line with budget and forecasts Balanced budget set for 2015/16 Action plan in place to address budget gap for future years	Corporate Director Resources/ AD Financial Management	March 2015
2	There will be a new administration after several years	Cabinet members are fully briefed on relevant issues. Officers and members are aware of, and conform to, the member/officer protocol.	Effective transition of Leadership	CLT/ Council Leader	September 2014
3	Officers working across new boundaries	Council processes aligned to the new boundaries	Members issues are referred to the correct member in the first instance	CLT	June 2014
4	A significant number of new members	Effective training delivered to all members. Clarity of roles and responsibilities to be provided.	Role profiles agreed and in place. Newly elected members in receipt of personal development plans and to have received appropriate training	AD Law & Governance/ Member & Electoral Services Manager	December 2014
	Overview and Scrutiny arrangements are not effective in holding the Executive to account and developing policy.	To undertake a review of existing arrangements, and agree on issues, solutions and way forward.	Agreed timescale for implementation of proposal	AD Law & Governance/ Committee Services & Scrutiny Manager	January 2015
6	Transition resulting from appointment of a new Chief Executive and a further four members of the Senior Leadership Team	Processes are in place to manage the changes at Senior level to ensure new officers fully deliver their roles and responsibilities effectively.	Senior Officers in post on permanent appointments. Seamless transition for the Council with no adverse impact to service delivery.	CLT/ HR Service Delivery Manager	December 2014
7	The Council's Code of Corporate Governance has not been updated since 2010.	A review of the Council's Code of Corporate Governance to be undertaken to ensure that it describes the Council's governance framework and the arrangements through which this is delivered.	A fit for purpose Code of Corporate Governance which is complied with.	CLT/ Corporate Director Resources	March 2015
8	Increased reliance on a wide range of Partners to work with the Council to deliver key services e.g. health	The process for overseeing and monitoring key partnerships is effective	Annual review provides assurance of effective partnership governance arrangements	CLT/ Head of Policy & Performance	January 2015
9	An increasing number of core services are being delivered though large and complex contracts.	Arrangements for effective contract management are in place.	Internal Audit to provide at least a satisfactory opinion on audits of large contracts	CLT/ AD Public Realm	December 2014
10	There is a need to demonstrate that proposed benefits are achieved from major programmes and projects.	Arrangements are in place to formally evaluate benefits gained from all major programmes and projects.	Benefits realisation review undertaken providing at least satisfactory opinion	CLT	December 2014

Huntingdonshire District Council – extract from AGS 2013/14

The following action has been taken:

- The programme and project management toolkit was approved by the project management working board and launched in June 2014.
- The managing director attended the July 2014 panel meeting and explained how a culture of compliance was being promoted and that the new management team would be charged with delivery of the audit actions as a priority.
- The management team formally consider all audit reports that have been given 'limited' or 'little' assurance opinions and agree with the relevant manager those improvements that need to be made.
- The head of resources has appointed temporary staff to the debtors team to deal with the issues identified by internal audit.
- Each year the panel considers how effective it has been in overseeing the council's governance arrangements.

This governance statement is reported to council once it has been approved. The chair of the panel submits a report to the same council meeting which summarises the work of the panel, so allowing the council to take comfort that key governance processes are being reviewed.

Kent Fire and Rescue Service – extract from AGS 2014/15. Principle 5: Develop the capacity and capability of Members and Officers to be effective and to deliver services effectively

Principle 5: Develop the capacity and capability of Members and Officers to be effective and to deliver services effectively		
How We Meet these Principles	**Where You Can See Governance in action**	**Assurance Received and Issues Identified**
• We provide all staff with role maps or job descriptions setting out their duties clearly and document the personal qualities and attributes required for each post. • We operate an appraisal scheme for all staff to identify development and skills needs and assess performance. • We produce a Workforce Strategy setting out the key objectives for developing and training our staff. • We operate a protocol to govern the relationship between Members and officers that ensures access to appropriate information. • We treat everyone fairly and equally. • We take the Health and Safety of our Staff extremely seriously. • We provide new Members with induction training on appointment. • We evaluate the training needs of Members and run briefings on key topics to ensure they have the knowledge and information to make effective decisions.	Our Current Vacancies Adverts Workforce Strategy 2013-2017 Convention on Member/Officer Relations Equality and Diversity Vision and Objectives Corporate Health Indicators Member Training Programme	A programme of training and briefing sessions for elected Members has been agreed to ensure Members remain up to date with current issues, are clear about their roles, and have sufficient information to make informed decisions. The qualifications, skills, behaviours and personal attributes required by staff in their roles are identified and documented, and reviewed annually. All employees receive annual appraisals which include an assessment of future training and development needs. The current economic situation is likely to continue to see a reduction in the number of staff employed by the Authority. We have identified that this presents a potential risk to our ability to retain the skills and experience needed, and to identify suitable candidates for promotion in the future. Measures are being implemented to combat this risk.

EMBEDDING GOOD GOVERNANCE – GENERAL POINTS

Introduction

4.7 Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) notes that it is crucial that governance arrangements are applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Effectively, good governance needs to be embedded in an organisation. It needs to permeate every aspect of the organisation's culture. Therefore 'hearts and minds' must be won over – the need for and value of good governance must be explicit.

4.8 This section of the guidance notes provides some issues to consider in ensuring that good governance is appropriately embedded.

Issues to consider

- How is governance perceived in your organisation? Is it regarded as an enabler in terms of innovation or a barrier to it?
- How has the organisation tried to embed good governance in its culture? Has this been successful?
- Are the benefits of good governance transparent in your organisation? For example:
  - better informed and improved decision making
  - clear demonstration of integrity and probity
  - clear focus on outcomes
  - developing a risk management culture.
- How are the benefits of good governance communicated to those who may not be aware of them including some members and senior officers?
- How does the organisation engage with its members on governance issues? How might this be improved?
- Do managers and officers feel free to raise any concerns that they might have?
- Is the organisation's code of governance accessible? Is it easy to understand?
- How are good governance principles communicated to the organisation's contractors and partners? How effective is that communication?
- How is the importance of maintaining standards communicated? Is it successful?
- Is appropriate induction and training available to those who need it?
- Does the concept of good governance have support from the top of the organisation – the chief executive and leader? How do they demonstrate this?
- How are the political groups involved in developing and maintaining good governance?
- How does the organisation ensure that governance structures continue to be up to date and relevant? For example, decision making frameworks, roles and responsibilities and schemes of delegation.
- What is the monitoring officer's role in enabling and facilitating good governance?

USE OF INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

4.9 Reinforced by the use of appropriate social media and other communication and consultation techniques, ICT can promote good governance in three basic ways, according to Information Technology for Good Governance (2001):

1. Increasing transparency, information, and accountability.
2. Facilitating accurate decision making and public participation.
3. Enhancing the efficient delivery of public goods and services.

4.10 Deployment of new technology can also pose serious risks, however, and cause many problems when either the technical or organisational aspects of its implementation and operation are not properly planned and managed. The right skills will be required both during and after implementation. The governing body should approve the ICT strategy and ensure there is appropriate oversight of ICT projects. It should also make sure that senior management sufficiently addresses ICT security, and specifically cyber security, whether developed in-house or outsourced.

CHAPTER FIVE

Schedule to assist in putting the principles into practice

5.1 The following section looks at examples of the systems, processes and documents that might be cited by an authority as evidence of compliance with good practice.

5.2 The illustrative table below includes the following:

- Columns 1 and 2 reproduced from Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) illustrating:
  - the core principles and sub-principles of good governance and the behaviours and actions that demonstrate good governance.
- Column 3 outlining:
  - examples of systems, processes and documentation and other evidence that may be used to demonstrate compliance (for illustration purposes only)
  - self-assessment tools and sources of further guidance.

5.3 If using this approach, it should be stressed that authorities will need to assess how far their processes and documentation meet the criteria suggested, otherwise the exercise will become a box-ticking process rather than a qualitative exercise. One way to make the exercise more challenging would be to score the authority's arrangements on a scale of 0 to 10, where 10 represents very best practice. This could be done by adding two extra columns – one for a self-assessment score and one to add plans for improvement.

5.4 Authorities might find this a practical way of approaching the task. Authorities should not, however, feel constrained by either the format or the examples listed.

Schedule to assist in putting the principles of good governance into practice

1. Principles of good governance (in bold)	2. Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	3. Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
Acting in the public interest requires a commitment to and effective arrangements for:		
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.	**Behaving with integrity** ■ Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation	■ Codes of conduct ■ Individual sign off with regard to compliance with code ■ Induction for new members and staff on standard of behaviour expected ■ Performance appraisals
	■ Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)	■ Communicating shared values with members, staff, the community and partners
	■ Leading by example and using these standard operating principles or values as a framework for decision making and other actions	■ Decision making practices ■ Declarations of interests made at meetings ■ Conduct at meetings ■ Shared values guide decision making ■ Develop and maintain an effective standards committee
	■ Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively	■ Anti-fraud and corruption policies are working effectively ■ Up-to-date register of interests (members and staff) ■ Up-to-date register of gifts and hospitality ■ Whistleblowing policies are in place and protect individuals raising concerns ■ Whistleblowing policy has been made available to members of the public, employees, partners and contractors

1. Principles of good governance (in bold)	2. Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	3. Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
		■ Complaints policy and examples of responding to complaints about behaviour ■ Changes/improvements as a result of complaints received and acted upon ■ Members and officers code of conduct refers to a requirement to declare interests ■ Minutes show declarations of interest were sought and appropriate declarations made
	Demonstrating strong commitment to ethical values ■ Seeking to establish, monitor and maintain the organisation's ethical standards and performance	■ Scrutiny of ethical decision making ■ Championing ethical compliance at governing body level
	■ Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation	■ Provision of ethical awareness training
	■ Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values	■ Appraisal processes take account of values and ethical behaviour ■ Staff appointments policy ■ Procurement policy
	■ Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation	■ Agreed values in partnership working: – Statement of business ethics communicates commitment to ethical values to external suppliers – Ethical values feature in contracts with external service providers ■ Protocols for partnership working
	Respecting the rule of law ■ Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations	■ Statutory provisions ■ Statutory guidance is followed ■ Constitution

1. Principles of good governance (in bold)	2. Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	3. Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
	■ Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements	■ Job description/specifications ■ Compliance with CIPFA's *Statement on the Role of the Chief Financial Officer in Local Government* (CIPFA, 2015) ■ Terms of reference ■ Committee support
	■ Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders	■ Record of legal advice provided by officers
	■ Dealing with breaches of legal and regulatory provisions effectively	■ Monitoring officer provisions ■ Record of legal advice provided by officers ■ Statutory provisions
	■ Ensuring corruption and misuse of power are dealt with effectively	■ Effective anti-fraud and corruption policies and procedures ■ Local test of assurance (where appropriate)
		Further guidance ■ Statement on the Role of the Chief Financial Officer in Local Government (CIPFA, 2015) ■ Illustrative Text for Local Code of Conduct (DCLG, 2012) ■ LGA Template Code of Conduct ■ Code of Ethics for Local Public Service Managers – Consultation (Solace, 2015) ■ Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014) ■ Code of Practice on Managing the Risk of Fraud and Corruption: Guidance Notes (CIPFA, 2014) ■ Ethics in Practice: Promoting Ethical Standards in Public Life (Committee on Standards in Public Life, 2014) ■ Standards Matter: A Review of Best Practice in Promoting Good Behaviour in Public Life (Committee on Standards in Public Life, 2013)

1. Principles of good governance (in bold)	2. Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	3. Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
B. Ensuring openness and comprehensive stakeholder engagement Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.	**Openness** ■ Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness	■ Annual report ■ Freedom of Information Act publication scheme ■ Online council tax information ■ Authority's goals and values ■ Authority website
	■ Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided	■ Record of decision making and supporting materials
	■ Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear	■ Decision making protocols ■ Report pro-formas ■ Record of professional advice in reaching decisions ■ Meeting reports show details of advice given ■ Discussion between members and officers on the information needs of members to support decision making ■ Agreement on the information that will be provided and timescales ■ Calendar of dates for submitting, publishing and distributing timely reports is adhered to
	■ Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action	■ Community strategy ■ Use of consultation feedback ■ Citizen survey

1. Principles of good governance (in bold)	2. Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	3. Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
	Engaging comprehensively with institutional stakeholders	
	■ Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably	■ Communication strategy
	■ Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	■ Database of stakeholders with whom the authority should engage and for what purpose and a record of an assessment of the effectiveness of any changes
	■ Ensuring that partnerships are based on: – trust – a shared commitment to change – a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit	■ Partnership framework ■ Partnership protocols
	Engaging stakeholders effectively, including individual citizens and service users	
	■ Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.	■ Record of public consultations ■ Partnership framework

Page 122

1. Principles of good governance (in bold)	2. Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	3. Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
	■ Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement	■ Communications strategy
	■ Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs	■ Communications strategy ■ Joint strategic needs assessment
	■ Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account	■ Communications strategy
	■ Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity	■ Processes for dealing with competing demands within the community, for example a consultation
	■ Taking account of the interests of future generations of tax payers and service users	■ Reports ■ Joint strategic needs assessment
		Further guidance ■ Good Governance Principles for Partnership Working (Audit Scotland, 2011) ■ Community Planning Toolkit – Working Together, Community Places through the Support of the Big Lottery Fund (2014)

1. Principles of good governance (in bold)	2. Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	3. Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance in local government also requires effective arrangements for:		
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.	**Defining outcomes** ■ Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions	■ Vision used as a basis for corporate and service planning
	■ Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer	■ Community engagement and involvement ■ Corporate and service plans ■ Community strategy
	■ Delivering defined outcomes on a sustainable basis within the resources that will be available	■ Regular reports on progress
	■ Identifying and managing risks to the achievement of outcomes	■ Performance trends are established and reported upon ■ Risk management protocols
	■ Managing service users expectations effectively with regard to determining priorities and making the best use of the resources available	■ An agreed set of quality standard measures for each service element and included in service plans ■ Processes for dealing with competing demands within the community

Page 124

1. Principles of good governance (in bold)	2. Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	3. Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
	Sustainable economic, social and environmental benefits ■ Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision	■ Capital investment is structured to achieve appropriate life spans and adaptability for future use or that resources (eg land) are spent on optimising social, economic and environmental wellbeing: – Capital programme – Capital investment strategy
	■ Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints	■ Discussion between members and officers on the information needs of members to support decision making ■ Record of decision making and supporting materials
	■ Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	■ Record of decision making and supporting materials ■ Protocols for consultation
	■ Ensuring fair access to services	■ Protocols ensure fair access and statutory guidance is followed **Further guidance** ■ Building Partnerships: Insights from the Devolution Summit (CIPFA/Grant Thornton, 2015)

1. Principles of good governance (in bold)	2. Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	3. Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
D. Determining the interventions necessary to optimise the achievement of the intended outcomes Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.	**Determining interventions** ■ Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided	■ Discussion between members and officers on the information needs of members to support decision making ■ Decision making protocols ■ Option appraisals ■ Agreement of information that will be provided and timescales
	■ Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts	■ Financial strategy
	Planning interventions ■ Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	■ Calendar of dates for developing and submitting plans and reports that are adhered to
	■ Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered	■ Communication strategy
	■ Considering and monitoring risks facing each partner when working collaboratively including shared risks	■ Partnership framework ■ Risk management protocol
	■ Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances	■ Planning protocols

1. Principles of good governance (in bold)	2. Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	3. Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
	■ Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured	■ KPIs have been established and approved for each service element and included in the service plan and are reported upon regularly
	■ Ensuring capacity exists to generate the information required to review service quality regularly	■ Reports include detailed performance results and highlight areas where corrective action is necessary
	■ Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan	■ Evidence that budgets, plans and objectives are aligned
	■ Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	■ Budget guidance and protocols ■ Medium term financial plan ■ Corporate plans
	Optimising achievement of intended outcomes ■ Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	■ Feedback surveys and exit/ decommissioning strategies ■ Changes as a result
	■ Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	■ Budgeting guidance and protocols

1. Principles of good governance (in bold)	**2. Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice**	**3. Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)**
	■ Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	■ Financial strategy
	■ Ensuring the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes"	■ Service plans demonstrate consideration of 'social value' ■ Achievement of 'social value' is monitored and reported upon

1. Principles of good governance (in bold)	2. Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	3. Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfill its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.	**Developing the entity's capacity** ■ Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness	■ Regular reviews of activities, outputs and planned outcomes
	■ Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently	■ Utilisation of research and benchmarking exercise
	■ Recognising the benefits of partnerships and collaborative working where added value can be achieved	■ Effective operation of partnerships which deliver agreed outcomes
	■ Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	■ Workforce plan ■ Organisational development plan
	Developing the capability of the entity's leadership and other individuals ■ Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained	■ Job descriptions ■ Chief executive and leader pairings have considered how best to establish and maintain effective communication
	■ Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body	■ Scheme of delegation reviewed at least annually in the light of legal and organisational changes ■ Standing orders and financial regulations which are reviewed on a regular basis

1. Principles of good governance (in bold)	2. Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	3. Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
	■ Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority	■ Clear statement of respective roles and responsibilities and how they will be put into practice
	■ Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:	■ Access to update courses/ information briefings on new legislation
	– ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged	■ Induction programme ■ Personal development plans for members and officers

1. Principles of good governance (in bold)	2. Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	3. Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
	– ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis	■ For example, for members this may include the ability to: – scrutinise and challenge – recognise when outside expert advice is required – promote trust – work in partnership – lead the organisation – act as a community leader ■ Efficient systems and technology used for effective support
	– ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external	■ Arrangements for succession planning
	■ Ensuring that there are structures in place to encourage public participation	■ Residents' panels ■ Stakeholder forum terms of reference ■ Strategic partnership frameworks
	■ Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections	■ Reviewing individual member performance on a regular basis taking account of their attendance and considering any training or development needs ■ Peer reviews
	■ Holding staff to account through regular performance reviews which take account of training or development needs	■ Training and development plan ■ Staff development plans linked to appraisals ■ Implementing appropriate human resource policies and ensuring that they are working effectively

1. Principles of good governance (in bold)	2. Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	3. Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
	■ Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing	■ Human resource policies
		Further guidance ■ Devo Why? Devo How? Guidance (and Some Answers) About Governance Under English Devolution (Centre for Public Scrutiny, 2015) ■ Responding to the Challenge: Alternative Delivery Models in Local Government (Grant Thornton, 2014) ■ The Excellent Finance Business Partner (CIPFA, 2015)

1. Principles of good governance (in bold)	2. Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	3. Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
F. Managing risks and performance through robust internal control and strong public financial management Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.	**Managing risk** ■ Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making	■ Risk management protocol
	■ Implementing robust and integrated risk management arrangements and ensuring that they are working effectively	■ Risk management strategy/ policy formally approved and adopted and reviewed and updated on a regular basis
	■ Ensuring that responsibilities for managing individual risks are clearly allocated	■ Risk management protocol
	Managing performance ■ Monitoring service delivery effectively including planning, specification, execution and independent post implementation review	■ Performance map showing all key activities have performance measures ■ Benchmarking information ■ Cost performance (using inputs and outputs) ■ Calendar of dates for submitting, publishing and distributing timely reports that are adhered to
	■ Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook	■ Discussion between members and officers on the information needs of members to support decision making ■ Publication of agendas and minutes of meetings ■ Agreement on the information that will be needed and timescales

1. Principles of good governance (in bold)	2. Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	3. Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
	■ Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (OR, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making	■ The role and responsibility for scrutiny has been established and is clear ■ Agenda and minutes of scrutiny meetings ■ Evidence of improvements as a result of scrutiny ■ Terms of reference ■ Training for members ■ Membership
	■ Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement	■ Calendar of dates for submitting, publishing and distributing timely reports that are adhered to
	■ Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)	■ Financial standards, guidance ■ Financial regulations and standing orders
	Robust internal control	
	■ Aligning the risk management strategy and policies on internal control with achieving the objectives	■ Risk management strategy ■ Audit plan ■ Audit reports
	■ Evaluating and monitoring the authority's risk management and internal control on a regular basis	■ Risk management strategy/ policy has been formally approved and adopted and is reviewed and updated on a regular basis
	■ Ensuring effective counter fraud and anti-corruption arrangements are in place	■ Compliance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)

1. Principles of good governance (in bold)	2. Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	3. Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
	■ Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor	■ Annual governance statement ■ Effective internal audit service is resourced and maintained
	■ Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body: – provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment – that its recommendations are listened to and acted upon	■ Audit committee complies with best practice. See Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013) ■ Terms of reference ■ Membership ■ Training
	Managing data ■ Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	■ Data management framework and procedures ■ Designated data protection officer ■ Data protection policies and procedures
	■ Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	■ Data sharing agreement ■ Data sharing register ■ Data processing agreements
	■ Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	■ Data quality procedures and reports ■ Data validation procedures

1. Principles of good governance (in bold)	2. Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	3. Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
	Strong public financial management	
	■ Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance	■ Financial management supports the delivery of services and transformational change as well as securing good stewardship
	■ Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	■ Budget monitoring reports
		Further guidance ■ From Bolt-on to Built-in: Managing Risk as an Integral Part of Managing an Organization (IFAC, 2015) ■ Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014) ■ Code of Practice on Managing the Risk of Fraud and Corruption: Guidance Notes (CIPFA, 2015) ■ Whole System Approach to Public Financial Management (CIPFA, 2012) ■ Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013)

1. Principles of good governance (in bold)	2. Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	3. Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.	**Implementing good practice in transparency** ■ Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate ■ Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand	■ Website ■ Annual report
	Implementing good practices in reporting ■ Reporting at least annually on performance, value for money and the stewardship of its resources	■ Formal annual report which includes key points raised by external scrutineers and service users' feedback on service delivery ■ Annual financial statements
	■ Ensuring members and senior management own the results	■ Appropriate approvals
	■ Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement)	■ Annual governance statement
	■ Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate	■ Annual governance statement

1. Principles of good governance (in bold)	2. Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	3. Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
	■ Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations	■ Format follows best practice
	Assurance and effective accountability ■ Ensuring that recommendations for corrective action made by external audit are acted upon ■ Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon	■ Recommendations have informed positive improvement ■ Compliance with CIPFA's Statement on the Role of the Head of Internal Audit (2010) ■ Compliance with Public Sector Internal Audit Standards
	■ Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	■ Recommendations have informed positive improvement
	■ Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	■ Annual governance statement
	■ Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met	■ Community strategy

1. Principles of good governance (in bold)	2. Sub-principles (in bold) and behaviours and actions that demonstrate good governance in practice	3. Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
		Further guidance ■ Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013) ■ Get in on the Act: The Local Audit and Accountability Act 2014 (LGA, 2014) ■ Governance Mark of Excellence (CIPFA)

CHAPTER SIX

Other governance issues

SCRUTINY

Introduction

6.1 The Local Government Act 2000 brought in arrangements that defined a scrutiny role for elected members. By sitting on the overview and scrutiny committees they hold the politicians who form the executive or cabinet to account, and scrutinise the work of other agencies providing local services. The Act introduced a clear distinction between the executive's role in proposing and implementing policies, and the role of non-executive members in reviewing policy and scrutinising executive decisions.

6.2 The overview and scrutiny committees were given powers to study decisions and policies of bodies other than councils operating in their areas and to require council officials and cabinet members to attend and answer questions. They are able to make recommendations and propose changes to be considered by the executive. Challenge and scrutiny contribute to good governance by being a key part of transparent and accountable decision making, policy making and review.

6.3 Through the scrutiny process, councillors have been given significant power to hold their partners to account. The Health and Social Care Act 2001 gave councils responsibility for scrutinising local NHS trusts, including primary care trusts. Powers were further expanded by the Police and Justice Act 2006, which provided powers to scrutinise the work of crime and disorder reduction partnerships. The Local Government and Public Involvement in Health Act 2007 gave powers to local government to scrutinise other partner organisations, including bodies such as the Environment Agency. It also brought in other provisions that affect how scrutiny committees work, including powers over the creation of joint committees and powers to resolve local problems through the 'councillor call for action'.

6.4 The Localism Act 2011 consolidated the content of the 2000, 2001, 2007 and 2009 Acts. It involved some minor amendments, particularly in the powers of district councils and the role of scrutiny in relation to local partners.

6.5 Through the 2011 Act, the government has encouraged greater use of the directly elected mayor model of governance; a role focusing on long-term strategic decisions bringing together different agencies to facilitate improved public services. A partnership focused mayoral model needs to be accompanied by strong overview and scrutiny of partnerships. At the same time, the 2011 Act permits local authorities to choose to introduce a committee system for decision-making purposes which may (although this is not a requirement) operate a system for scrutiny and review.

The importance of effective scrutiny

6.6 It is essential that local authorities, whatever form of governance structure they choose, should benefit from a culture of (and structure for) scrutiny which is effective at challenging the way an authority operates. The increase in the use of alternative delivery models and vehicles, including outsourcing and complex joint arrangements for service provision, means that scrutiny committees are a crucial mechanism for ensuring oversight.

6.7 Authorities electing to adopt a committee system need to ensure that they are able to exercise effectively their scrutiny powers around healthcare, social care and health improvement, crime and disorder and external partners, as well as independent challenge to decisions made by their committees. Authorities need to think through how a system of checks and balances will exist in order to ensure their committees drive forward improvements while mitigating risks.

6.8 Overview and scrutiny structures should play an important role in facilitating accountability in devolved regions and in relation to elected mayors.

Principles of good scrutiny

6.9 The Centre for Public Scrutiny has established four core principles of good scrutiny:

- Provides critical friend challenge to executive policy makers and decision takers.
- Enables the voice and concerns of the public.
- Is carried out by independent-minded councillors who lead and own the process.
- Drives improvement in public services.

6.10 Local authority overview and scrutiny committees have the power to summon members of the executive and officers of the authority before it to answer questions, and are able to invite other persons to attend meetings to give their views or submit evidence.

The role of scrutiny

6.11 The role of scrutiny is to review policy and to challenge whether the executive has made the right decisions to deliver policy goals. The scrutiny committee is able to provide a long-term view of strategic issues and also to look in detail at key aspects of the authority's operations. This is different from the role of the audit committee, which exists to provide independent assurance that there are adequate controls in place to mitigate key risks and to provide assurance that the authority, including the scrutiny function, is operating effectively. That said, an audit committee's judgements may well be informed by the results of scrutiny within the authority.

6.12 The scrutiny function has the following legislative roles:

- Holding the executive to account.
- Policy development and review.
- External scrutiny – scrutiny committees have the power to consider matters that are not the responsibility of the local authority, but which affect the authority's area or its inhabitants.

6.13 Scrutiny and overview committees have other key roles, which include:

- providing satisfying and meaningful roles for non-executive members
- considering budget proposals
- considering general performance, management and review
- ensuring corporate priorities are met
- monitoring and revising the constitution
- engaging partner organisations, the public and the press
- holding partnerships to account.

Making scrutiny effective

6.14 An effective scrutiny function is characterised by the following:

- It has a clearly defined role within the authority's governance structure.
- It has clear terms of reference that set out its role in respect of independent scrutiny of decisions and performance.
- It is adequately resourced and appropriately structured with access to independent advice.
- Meetings are held on a timely basis.
- The authority's leadership is willing to be challenged and regards robust (and resourced) challenge as a necessary part of good governance.
- It is led and owned by members who are committed to improving their own performance and skills.
- It is understood and valued throughout the authority and public awareness is high. It is clear that it is not a substitute for an audit committee.
- There is a willingness to look beyond the boundaries of the authority to all agencies that affect the locality.
- The chair and members are willing to challenge the executive through questioning on topics of local relevance where there is a realistic prospect of influencing change.
- The chair and vice-chair work with the scrutiny officer in deciding how to structure meetings, who to invite and how an investigation should be conducted.
- The chair and members have the necessary skills, training and confidence to allow them to scrutinise and challenge effectively.
- The chair is:
  - not a member of the political administration
  - appropriately knowledgeable and skilled to be able to manage the meeting
  - firm and tactful with those answering questions
  - able to understand technical issues quickly
  - able to lead, inspire and motivate the team
  - a visible champion for scrutiny, raising its profile internally and externally
  - proactive.

- It is not, or seen to be, controlled by the executive.
- The executive receives reports from the committee sympathetically and acts upon them as appropriate in order to effect improved outcomes in service delivery.
- The committee presents reports with sound recommendations based on the best evidence available and with all-party support wherever possible.
- Scrutiny has effective support from capable officers. Their duties are likely to include:
  - working with the committee chair and vice-chair
  - planning research
  - preparing background reports
  - inviting and briefing witnesses
  - writing draft reports.
- Scrutiny officers have:
  - excellent research skills
  - knowledge of the local area
  - an interest in local and general affairs
  - a diplomatic approach.
- Participants are willing to share and expect something constructive from the process.
- Concerns are taken seriously and where relevant incorporated into appropriate recommendations.

Further guidance

- Building Partnerships: Insights from the Devolution Summit (CIPFA/Grant Thornton, 2015)
- Coulson A and Whiteman P (2012) Holding Politicians to Account? Overview and Scrutiny in English Local Government, *Public Money and Management, 32*, 185–192
- Devo Why? Devo How? Questions (and Some Answers) About Governance Under English Devolution (Centre for Public Scrutiny, 2015)
- The Good Scrutiny Guide (Centre for Public Scrutiny, 2nd Edition)
- Leadership of Place: The Role of Overview and Scrutiny (Leadership Centre for Local Government)
- Musical Chairs: Practical Issues for Local Authorities in Moving to a Committee System (Centre for Public Scrutiny, 2012)
- Raising the Stakes: Financial Scrutiny in Challenging Times: A Guide for Welsh Local Authorities (Centre for Public Scrutiny/Grant Thornton, 2014)

FRAUD

Introduction

6.15 Fraud costs the public sector around £21bn annually and of this total, approximately £2bn is specifically in local government. Fraud can be a major risk to councils both financially and reputationally and needs to be considered as part of formal risk management processes.

6.16 Local authorities are urged to make use of the guidance, toolkits and websites available to them in developing robust processes for countering fraud.

CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

6.17 In October 2014, CIPFA published its Code of Practice on Managing the Risk of Fraud and Corruption. The Code sets out five key principles that define the governance and operational arrangements necessary for an effective counter fraud response. These are as follows:

- **Acknowledge the responsibility of the governing body for countering fraud and corruption**

  The governing body should acknowledge its responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation.

- **Identify the fraud and corruption risks**

  Fraud risk identification is essential to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users.

- **Develop an appropriate counter fraud and corruption strategy**

  An organisation needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action.

- **Provide resources to implement the strategy**

  The organisation should make arrangements for appropriate resources to support the counter fraud strategy.

- **Take action in response to fraud and corruption**

  The organisation should put in place the policies and procedures to support the counter fraud and corruption strategy and take action to prevent, detect and investigate fraud. There should be a report to the governing body at least annually on performance against the counter fraud strategy and the effectiveness of the strategy from the lead person(s) designated in the strategy. Conclusions should be featured in the annual governance statement.

6.18 The Code sets out the steps each authority should take in order to to embed effective standards for countering fraud and corruption in their organisation. The Code is underpinned by a set of guidance notes that explain the importance of the principles and help organisations to apply them in practice. An assessment tool is also available to help organisations assess the strength of their arrangements against the Code.

6.19 The Code can be used to present to audit committees as a measure of what actions need to be taken to improve counter fraud arrangements, building counter fraud work into good governance for organisations.

Local government counter fraud and corruption strategy

6.20 Fighting Fraud and Corruption Locally 2016 (FFCL) is the local government counter fraud and corruption strategy. It is endorsed by central government, the Local Government Association and Solace. It was researched by the CIPFA Counter Fraud Centre (CCFC) and written by local authorities for local authorities. The CCFC hosts the day to day operations of FFCL for its independent board and it has a dedicated website with a good practice bank.

6.21 The FFCL Strategy 2016–2018 has two parts:

- The Strategy, which contains top level messages, is aimed at chief executives, finance directors and those charged with governance.
- The Companion, which is aimed at those involved in the day to day operations in counter fraud in local authorities.

6.22 The Strategy contains recommendations for chief executives to ensure their authority addresses the areas raised in the Strategy in order to create a robust response to tackling fraud and corruption. The Companion document contains good practice as well as a checklist which local authorities should follow and use as self-assessment. The outcome of this assessment should be produced for leadership teams and/or audit committees.

6.23 The CCFC also conducts the CIPFA Fraud and Corruption Tracker (CFaCT), an annual survey of local authorities asking questions devised by the FFCL Board to assess adherence and response to the strategy. The survey is endorsed and supported by the Local Government Association (LGA), the National Audit Office (NAO) and the National Crime Agency (NCA), and it feeds back into the national response for the UK. Those charged with governance should ensure completion of this survey.

Further guidance

- CIPFA Better Governance Forum
- CIPFA Counter Fraud Centre
- CIPFA Fraud and Corruption Tracker (CFaCT)
- Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)
- Code of Practice on Managing the Risk of Fraud and Corruption: Guidance Notes (CIPFA, 2014)
- Counter Fraud Code of Practice Assessment Tool
- Fighting Fraud and Corruption Locally 2016
- National Anti-Fraud Network (NAFN)

MAINTAINING STANDARDS

Introduction

6.24 The Localism Act 2011 repealed most of the standards provisions in the Local Government Act 2000, including the statutory code of conduct, the Standards Board and the legal requirement to have a standards committee. The 2011 Act instead imposes a duty on local authorities to promote and maintain high standards of conduct by members and co-opted members and an obligation to adopt a code of conduct consistent with the Nolan Principles. The 2011 Act otherwise provides wider flexibility, reflecting localism principles, for authorities to meet the duty structurally, and through arrangements for investigating complaints. Criminal offences were also created dealing with the non-notification and non-disclosure of 'disclosable pecuniary interests', improper participation in authority business and the provision of false and misleading information.

6.25 It is essential that despite financial constraints authorities continue to prioritise and monitor ethical standards.

Duty to promote and maintain high standards of conduct

6.26 This duty included in the 2011 Act links with the first principle of the CIPFA/Solace Framework: *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law* and its supporting principles. Shared values that become integrated into the culture of an organisation and are reflected in behaviour and policy are hallmarks of good governance.

Code of conduct

6.27 CIPFA believes that codes of conduct are an essential component of good corporate governance for all public service bodies, as they define the values and standards of behaviour expected of individuals. In our view nationally set codes of conduct can be used to promote consistent standards of conduct and probity, and to provide assurance for community stakeholders. Their existence helps minimise lapses and provides a framework for personal accountability. Basic standards and practices should be consistent across the sector.

Members

6.28 The Department for Communities and Local Government (DCLG) has published an Illustrative Text for Local Code of Conduct (2012) setting out what a council's code of conduct might look like under the 2011 Act.

6.29 The Local Government Association (LGA), with support from Solace and the Association of Council Secretaries and Solicitors (ACSeS), has published a Template Code of Conduct based on the seven principles of public life.

Officers and staff

6.30 Local authorities are free to decide to institute a code of conduct for their own staff. CIPFA is working with Solace and a range of professional bodies to develop a new code of ethics for professional leaders in local public services. The code of ethics will outline the principles of behaviour that promote and reinforce the highest standards from everyone in senior professional leadership roles across the local public services.

6.31 The code is an overarching statement of ethics, based upon behaviours and therefore focuses on the individual, as opposed to groups or organisational culture. It is intended to be applicable to all those who hold senior management roles in local public services led by locally elected politicians. The new code will be published in 2016.

6.32 A number of senior professionals within local public services are already subject to specific professional codes of ethics and behaviour, and the new code does not replace these professional codes which are likely to be more detailed in nature.

Standards committee

6.33 Local authorities are required by the Localism Act 2011 to have in place a mechanism to investigate alleged breaches of the members' code of conduct. At least one 'independent' person must be appointed to advise an authority before a decision regarding the allegation can be made. Although no longer a legal requirement, a standards committee at a local level can provide an effective mechanism for complaints to be investigated. It should act as a disincentive to misconduct through objective overview and complaints handling. Local standards committees, among other things, should help promote confidence in local democracy. To be effective they must be chaired by an independent person, appointed through open competition, who is able to command the trust of all political parties and of the public.

Duty to promote and maintain standards

6.34 As well as ensuring compliance with the provisions of the 2011 Act, authorities should consider how they will fulfill the duty to promote and maintain standards. The following actions will help support the achievement of this duty:

- Embedding high ethical standards in the culture of the authority.
- Reinforcing high standards through positive leadership.
- Ensuring ethical awareness is addressed as part of the induction and training programme for all members/co-opted members and providing regular updates.
- Providing guidance to members on the application of codes of conduct and other aspects of the authority's ethical framework when participating in partnership bodies or other representative roles.
- Ensuring that there are systems and appropriate sanctions in place to deal robustly with instances of bullying and harassment which make clear to whom and how both members and staff may complain.
- Ensuring that an effective whistleblowing policy is in place.
- Specifying ethical requirements in contracts with suppliers responsible for delivering public services.
- Undertaking periodic surveys of members and key officers who interact with members to obtain their views on the application of ethical values in practice and to identify any concerns or learning points.

- Providing a system to record gifts and hospitality and to advise on acceptable limits. The register should be subject to regular review and public reporting.
- Ensuring that an effective system for declaring and registering interests is in place.
- Ensuring effective scrutiny of standards through mechanisms such as peer review.
- Ensuring that financial constraints do not reduce management support for the promotion of high ethical standards.
- Ensuring that the annual governance statement provides clear accountability for fulfilling the duty.
- Properly and effectively applying arrangements for investigating and deciding on allegations of breach of code made against members.

Further guidance

- Ethics in Practice: Promoting Ethical Standards in Public Life (Committee on Standards in Public Life, 2014)
- Ethical Standards for Providers of Public Services: Guidance (Committee on Standards in Public Life, 2014)
- Standards Matter: A Review of Best Practice in Promoting Good Behaviour in Public Life (Committee on Standards in Public Life, 2013)

LOCAL AUDIT AND AUDIT COMMITTEES

The Local audit and Accountability Act 2014

6.35 The Local Audit and Accountability Act 2014 requires that local authorities must appoint their own auditors from 2018 when their existing audit contracts expire. This means that:

- local authorities will need to appoint an auditor by 31 December preceding the financial year for which the accounts are to be audited
- the length of the audit contract should be no longer than five years
- the same auditor may be reappointed at the end of the five year period
- the authority must publish its choice of auditor
- the decision to appoint the auditor must be made by the full council
- authorities may choose to let audit contracts jointly with other authorities
- the authority must publish an annual governance statement alongside the accounts and a narrative commenting on the authority’s economy, efficiency and effectiveness
- authorities are required to appoint an ‘independent auditor panel’.

Auditor responsibilities

6.36 The National Audit Office (NAO) has set out the responsibilities of local auditors. In relation to financial statements, auditors are required to provide an opinion on whether the audited body’s financial statements:

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

6.37 Auditors also have a responsibility to satisfy themselves that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

6.38 In relation to the annual governance statement, auditors must:

- review whether it has been presented in accordance with requirements
- report if it does not meet these requirements or if it is misleading or inconsistent with other information of which the auditor is aware.

6.39 In doing so, auditors must bear in mind the knowledge they have acquired through auditing the annual accounts and reviewing the authority's arrangements for securing value for money.

The independent auditor panel

6.40 The new arrangements include the ability of authorities to appoint their own local public auditors on the advice of an auditor panel and this may be done either individually or jointly with one or more other authorities.

6.41 The function of the independent auditor panel is to ensure that when an authority appoints its own auditor the independence of the external auditor is maintained. The panel is therefore responsible for advising the authority on its relationship with its external auditor. The panel is required to:

- publish its advice on the authority's choice of auditor
- advise the authority in the event of the auditor resigning or being removed
- advise the authority on whether or not to draw up a policy regarding the provision of non-audit services (such as consultancy) by the external auditor.

6.42 In addition, the authority must notify the panel if a public interest report is produced by the auditor.

6.43 The independent auditor panel must have at least three members. A majority must be independent members, one of which must be the panel chair. 'Independence' is further defined in the Local Audit (Auditor Panel Independence) Regulations 2014, summarised as follows:

The main areas through which independence may be impaired are where the panel member has:

- previous experience within the last five years as a member or officer with the authority or another, connected authority or an officer or employee of a connected entity
- a relationship (familial or friendship) with a member or officer of the authority or a connected authority or with an officer or employee of a connected entity
- a contractual (commercial) relationship with the authority – either as an individual or via a body in which the panel member has a 'beneficial interest'
- a possible conflict of interest through being a prospective or current auditor of the authority or, within the previous five years, is or has been:
  - an employee of such a person
  - partner in a firm or
  - director of a body corporate that is a prospective or current auditor of the authority at the given time.

6.44 Authorities are permitted to share an auditor panel and are also able to designate an existing committee, such as the audit committee or standards committee as an auditor panel. However, if such a committee is designated as the auditor panel it must satisfy the regulations and provisions for auditor panels such as the requirements concerning independence. Therefore, if the auditor panel function is performed by an existing committee or sub-committee of the authority, the committee must ensure that its auditor panel duties are discharged separately.

6.45 Authorities will need to consider carefully the advantages and disadvantages of the options available to them in setting up an independent auditor panel. Where an independent auditor panel is established and an audit committee already exists, the authority or authorities will need to look at the areas where the functions of an independent auditor panel and audit committee will overlap and how they will be managed.

Some issues to consider

- How will the new auditor panel fit within the overall governance structure of the authority, and with the audit committee in particular?
- How will the independence of the auditor panel be assured? Should independence be wider than that specified in the regulations? For example, should it also prevent a recently retired auditor from an audit firm being a member?
- What will be an effective composition for the panel?
- What are the skills and experience that the auditor panel will require?
- How will training and induction for the new members be provided?
- How will the auditor contract be monitored?
- If the external auditor is asked to carry out additional non-audit work, how will the authority ensure that the nature of the work does not impair the independence of the external auditor?
- Where an authority contracts out its internal audit service, there is potential for conflicts of interest if the same firm was responsible for providing both internal and external audit

services which would need to be carefully managed. It is worth noting that the national audit agencies will not appoint as an external auditor a firm currently undertaking internal audit work at a council.

- Potential for conflicts of interest should be carefully considered in respect of partnership arrangements. For example, where the external auditor was also the internal auditor of a partner organisation or a key provider of consultancy services at a partner organisation.

6.46 A comprehensive Guide to Auditor Panels (2015) has been published by CIPFA/DCLG setting out:

- the options available to local authorities in England for establishing an auditor panel
- what form such a panel can take
- the operation and functions of the panel
- the main task of the panel.

Introduction to audit committees

6.47 Audit committees are a key component of an authority's governance framework. Their purpose is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

6.48 Audit committees in local authorities satisfy the wider requirements for sound financial management. In England, according to the Accounts and Audit (England) Regulations 2011, local authorities are responsible "for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk". Section 151 of the Local Government Act 1972 requires every local authority to "make arrangements for the proper administration of its financial affairs".

6.49 The Cities and Local Government Devolution Act 2016 requires combined authorities to have an audit committee. Careful thought will be required regarding how they will fit with existing structures.

Functions of the audit committee

6.50 Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013) sets out in detail the core functions of an audit committee. Key points are summarised below.

- Overseeing the authority's local code of governance and annual governance statement:
  - reviewing the local code of governance and any changes to the arrangements in the year
  - reviewing the annual governance statement and considering whether it:
    - – properly reflects the authority's risk environment together with actions required
    - – demonstrates how governance supports the achievements of the authority's objectives.

- Overseeing and promoting the effective use of the authority's internal audit function.
- Considering the effectiveness of risk management arrangements and the control environment, including partnerships with other organisations.
- Monitoring arrangements for ensuring value for money and for managing exposure to the risk of fraud and corruption.
- Considering reports and recommendations from external audit and inspection agencies and their implications for governance, risk management and control.
- Ensuring that there are effective relationships between external audit, internal audit, inspection agencies and other relevant bodies.
- Reviewing the financial statements, external auditor's opinion and reports to members, and monitoring management action in response to the issues raised by external audit.

The audit committee and the auditor panel

6.51 The auditor panel and the authority's audit committee will need to have a close working relationship in respect of some of the panel's duties. The main areas where their respective duties may overlap are outlined below:

- Monitoring quality and effectiveness of external audit provision.

  The work undertaken by the audit committee should feed into the panel's contract monitoring.
- Selection and rotation of the auditor.

  The audit committee should be able to express an opinion.
- Non-audit work carried out by external audit.

  The audit committee has a role reviewing the authority's policy on non-audit work carried out by external audit whereas the auditor panel has to advise the authority on the contents of any non-audit work policy and whether the authority should adopt such a policy.

6.52 Further information on this issue is covered in Guide to Auditor Panels (CIPFA/DCLG, 2015).

Characteristics of a good audit committee

6.53 CIPFA's guide notes that the characteristics of a good audit committee include the following:

- A membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. The political balance of a formal committee of an authority will reflect the political balance of the council. However, it is important to achieve the right mix of apolitical expertise.
- A membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives.
- A strong, independently minded chair who displays a depth of knowledge, skills and interest. There are many personal qualities needed to be an effective chair, but key to these are promoting apolitical open discussion, managing meetings to cover all business and encouraging a candid approach from all participants. An interest in and knowledge of financial and risk management, audit, accounting concepts and standards and the

regulatory regime are also essential. A specialism in one of these areas would be an advantage.

- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.

Benefits of an audit committee

6.54 An effective audit committee can:

- promote the principles of good governance and their application to decision making
- help to ensure an authority achieves value for money
- give additional assurance through a process of independent and objective review
- help achieve the authority's objectives by assisting in improving the adequacy and effectiveness of risk assessment, risk management and internal control
- reinforce the objectivity, importance and independence of internal and external audit and therefore the effectiveness of the audit function
- raise awareness of the need for sound control and the implementation of recommendations by internal and external audit
- assist the authority in implementing the values of ethical governance including effective arrangements for countering risks of fraud and corruption
- ensure effective arrangements exist for enabling a whistleblower to report irregularities
- promote measures to improve transparency and accountability and for effective public reporting to the authority's stakeholders and local community.

Further guidance

- Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013)
- Better Governance Forum – Audit Committee briefings
- Guide to Auditor Panels (CIPFA/DCLG, 2015)
- Local Government Governance Review 2015: All Aboard? (Grant Thornton, 2015)

APPENDIX A

Comparison with Framework published in 2007

The following table compares the principles from the Framework (2007) with those included in the revised Framework (2016).

Principles from 2016	Principles from 2007
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law ■ Behaving with integrity ■ Demonstrating strong commitment to ethical values ■ Respecting the rule of law	**Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour** ■ Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance ■ Ensuring that organisational values are put in place and are effective
B. Ensuring openness and comprehensive stakeholder engagement ■ Openness ■ Engaging comprehensively with institutional stakeholders ■ Engaging with individual citizens and service users effectively	**Engaging with local people and other stakeholders to ensure robust public accountability** ■ Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships ■ Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership, or by commissioning ■ Making the best use of human resources by taking on active and planned approach to meet responsibility to staff

In addition to the overarching requirements for acting in the public interest in principles A and B (2016 Framework), achieving good governance in the public sector also requires effective arrangements for the following:	
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits ■ Defining outcomes ■ Sustainable economic, social and environmental benefits	**Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area** ■ Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users ■ Ensuring that users receive a high quality of service whether directly, or in partnership or by commissioning ■ Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money
D. Determining the interventions necessary to optimise the achievement of the intended outcomes ■ Determining interventions ■ Planning interventions ■ Optimising achievement of intended outcomes	

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it ■ Developing the entity's capacity ■ Developing the capability of the entity's leadership and other individuals	**Developing the capacity and capability of members and officers to be effective** ■ Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles ■ Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group ■ Encouraging new talent for membership of the authority so that best use can be made of individuals skills and resources in balancing continuity and renewal **Members and officers working together to achieve a common purpose with clearly defined functions and roles** ■ Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function ■ Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of authority members and officers are carried out to a high standard ■ Ensuring relationships between the authority and the public are clear so that each knows what to expect of the other
F. Managing risks and performance through robust internal control and strong public financial management ■ Managing risk ■ Managing performance ■ Robust internal control ■ Managing data ■ Strong public financial management	**Taking informed decisions which are subject to effective scrutiny and managing risk** ■ Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny ■ Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs ■ Ensuring that an effective risk management system is in place ■ Using their legal powers to the full benefit of the citizens and communities in their area

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

- Implementing good practice in transparency
- Implementing good practices in reporting
- Assurance and effective accountability

APPENDIX B

Principles of good governance (summary)

This Appendix summarises key reports that have influenced the development of good governance in local government.

THE CADBURY REPORT (1992)

The Report of the Committee on the Financial Aspects of Corporate Governance (the Cadbury Report) identified three fundamental principles of corporate governance as follows:

- **Openness**

  An open approach is required to ensure all interested parties are confident in the organisation itself. Being open in the disclosure of information leads to effective and timely action and lends itself to necessary scrutiny.

- **Integrity**

  This is described as both straightforward dealing and completeness. It should be reflected in the honesty of an organisation's annual report and its portrayal of a balanced view. The integrity of reports depends on the integrity of those who prepare and present them which, in turn, is a reflection of the professional standards within the organisation.

- **Accountability**

  This is the process whereby individuals are responsible for their actions. It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure.

  The Cadbury Report defined these three principles in the context of the private sector, and, more specifically, of public companies, but they are as relevant to public service bodies as they are to private sector entities.

REPORTS FROM THE COMMITTEE ON STANDARDS IN PUBLIC LIFE (1995 – PRESENT)

Aspects of corporate governance in the public services are addressed by the Committee on Standards in Public Life, which was established in 1994 to examine concerns about standards of conduct by holders of public office.

Standards of conduct are regarded as one of the key dimensions of good governance. The Committee's first report, *Standards in Public Life*, published in May 1995, identified and defined seven general principles of conduct which should underpin public life, and recommended that all public service bodies draw up codes of conduct incorporating these principles.

6.55 A revised description of the principles of public life is included in the Committee's report Standards Matter: A Review of Best Practice in Promoting Good Behaviour in Public Life (2013). They are as follows:

- **Selflessness**

  Holders of public office should act solely in terms of the public interest.

- **Integrity**

  Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

- **Objectivity**

  Holders of public office must act and take decisions impartially, fairly and on merit using the best evidence and without discrimination or bias.

- **Accountability**

  Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

- **Openness**

  Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for doing so.

- **Honesty**

  Holders of public office should be truthful.

- **Leadership**

  Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

GOOD GOVERNANCE STANDARD FOR PUBLIC SERVICES (2004)

In 2004, the Independent Commission on Good Governance in Public Services published a set of common principles that it wants all public sector organisations to adopt. The commission, set up by CIPFA in conjunction with the Office for Public Management, says there should be a common governance standard for public services similar to the private sector's UK Corporate Governance Code (formerly the Combined Code).

The Good Governance Standard for Public Services (2004) builds on the principles of public life by setting out six core principles that it recommends should underpin the governance arrangements of all public service bodies. These are summarised below:

- A clear definition of the body's purpose and desired outcomes.
- Well-defined functions and responsibilities.
- An appropriate corporate culture.
- Transparent decision-making.
- A strong governance team.
- Real accountability to stakeholders.

INTERNATIONAL FRAMEWORK: GOOD GOVERNANCE IN THE PUBLIC SECTOR (2014)

In July 2014 CIPFA, in association with the International Federation of Accountants (IFAC), published the International Framework: Good Governance in the Public Sector. The international framework supersedes the 2004 CIPFA/OPM *Good Governance Standard for the Public Services*. It places the attainment of sustainable economic, societal and environmental outcomes as a key focus of governance structures and processes and stresses the importance of taking account of the impact of current decisions and actions on future generations.

The core principles and sub-principles from the International Framework have been interpreted for a local government context in Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016).

APPENDIX C

Glossary

Accountability

The obligation of public sector organisations to citizens and other stakeholders to account, and be answerable to, democratically chosen supervisory bodies, for their policies, decisions, and actions, particularly in relation to public finances.

Annual governance statement or report

The mechanism by which an organisation publicly reports on its governance arrangements each year.

Arrangements

Includes political, economic, social, environmental, legal, and administrative structures and processes, and other arrangements.

Assurance

An assurance engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users, other than the responsible party, on the outcome of the evaluation or measurement of a subject matter against criteria. Under the IAASB's International Framework for Assurance Engagements, there are two types of assurance engagements a practitioner is permitted to perform: a reasonable assurance engagement and a limited assurance engagement. For more information, see the IAASB's Glossary of Terms in the 2013 Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements.

Audit committee

The governance group independent from the executive charged with providing oversight of the adequacy of the risk management framework, the internal control environment, and integrity of financial reporting.

Benefits

Outcomes that are to the benefit of a public sector organisation's stakeholders that can be of an economic, social, or environmental nature.

Budget documents

Financial expressions of service plans that set the limits of expenditure authorisation for managers.

Capabilities

The professional knowledge, professional skills, and professional values, ethics, and attitudes required to demonstrate competence.

Capacity

The underlying governance and staffing structures of a public sector organisation necessary to remain fit for purpose – being able to deliver the planned services.

Capital(s)/resource(s)

Stocks of value on which all organisations depend for their success as inputs to their business model, and which are increased, decreased, or transformed through the organisation's business activities and outputs. The capitals are categorised in the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) as financial, manufactured, intellectual, human, social and relationship, and natural.

Code of Conduct

Principles, values, standards, or rules of behaviour that guide the decisions, procedures and systems of an organisation in a way that contributes to the welfare of its key stakeholders and respects the rights of all constituents affected by its operations.

Commissioning

Depending on the context, either:

- the process of deciding what work or services are needed, whether they should be sought by delegation, the use or setting up of some new body, or by competition, and, if by competition, what sort of contract to use
- in care, the collective term for all the process involved in meeting an assessed need; deciding which service is needed to meet it, and specifying this service, procuring it and monitoring it.

Conformance

Compliance with laws and regulations, best practice governance codes, accountability, and the provision of assurances to stakeholders in general. The term can refer to internal factors defined by the officers, shareholders, or constitution of an organisation, as well as external forces, such as consumer groups, clients, and regulators.

Cyber security

A specialised form of ICT security specifically focused on (external) networks and internet connections (addressing threats from 'cyber space').

Effectiveness

The relationship between actual results and service performance objectives in terms of outputs or outcomes. Effectiveness describes the relationship between an organisation's actual results and its service performance objectives.

Efficiency

The relationship between inputs and outputs, or inputs and outcomes. An efficiency indicator can be used to show when a service is being provided more (or less) efficiently compared to previous reporting periods, expectations, comparable service providers, or benchmarks derived, for example, from best practices within a group of comparable service providers.

Ethical values

Standards or principles that are commonly considered to be good. Ethical values can change over time and differ between societies or cultures.

Ethics

A system of moral principles by which human actions may be judged.

Executive

Executive management and/or chief executive.

External audit

Independent, qualified person(s) who carry out a review to give assurance to external stakeholders on an organisation's financial statements, systems, and processes.

Governance

Comprises the arrangements (including political, economic, social, environmental, administrative, legal, and other arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

Governing body

The person(s) or group with primary responsibility for overseeing an organisation's strategic direction, operations, and accountability. This is the full council in a local authority.

Independence

a. **Independence of mind** – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity and exercise objectivity and professional scepticism.

b. **Independence in appearance** – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that a firm's, or a member of the audit or assurance team's, integrity, objectivity or professional scepticism has been compromised.

Input(s)

Capitals/resources used to generate and deliver services to achieve intended outcomes.

Institutional stakeholders

The other organisations/bodies with which a public sector organisation needs to work to improve services and outcomes, or organisations to which it is accountable.

Integrated report

A concise communication about how an organisation's strategy, governance, performance, and prospects, in the context of its external environment, lead to the creation of value in the short, medium, and long term.

Integrated reporting

A process that results in communication by an organisation, most visibly through a periodic integrated report, about value creation over time.

Integrated services

Two or more services which are functions of different bodies, when provided seamlessly by one of them, or by a joint body.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any such interests and relationships.

Internal auditing

An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal control

The term 'internal control' can have multiple meanings, including the following:

- **A system or process**
  The entirety of an organisation's system of internal control, ie an organisation's internal control system.
- **An activity or measure**
  The actual measure to treat risks and to effect internal control, ie individual internal controls.
- **A state or outcome**
  The outcome of the internal control system or process, ie an organisation achieving or sustaining appropriate or effective internal control.

See Evaluating and Improving Internal Control in Organizations (IFAC, 2012) for a more detailed definition.

Interventions

The means by which the public sector achieves its outcomes. These include:

- enacting legislation or regulations
- delivering goods and services
- redistributing income through mechanisms such as taxation or social security payments
- the ownership of assets or entities, such as state-owned enterprises.

Joint boards

Joint bodies set up by order to discharge specified functions of specified local authorities.

Joint committees

Joint bodies set up by agreement to discharge functions and carry out activities jointly on behalf of local authorities or their executives.

Joint venture agreements

These specify what each partner will do to further the venture, and at what stage.

Joint ventures

Enterprises in which two or more partners join, and in which they share the risks and rewards.

Leadership team

Comprises the governing body and management team.

Local authority company

A company in which a local authority has shares, rights to appoint some or all of the directors, or other legal interests.

Management

Person(s) with executive responsibility for the conduct of the public sector organisation's operations.

Management team

Group of executive staff comprising senior management charged with the execution of strategy.

Memorandum of association

The registered objectives of a company.

Outcome(s)

The impacts on society, which occur as a result of the organisation's outputs, its existence, and operations. There may be a strong, direct causal link between an organisation's actions and its achievements with respect to outcomes, but this will not always be the case. Factors beyond the organisation's control may intervene to either hinder or facilitate the achievement of outcomes.

Outcome target/service performance objective

A description of the planned result(s) that an organisation is aiming to achieve expressed in terms of inputs, outputs, outcomes, efficiency, or effectiveness. Service performance objectives may be expressed using performance indicators of inputs, outputs, outcomes, efficiency, or effectiveness.

Output(s)

The services provided by an entity to recipients external to the organisation.

Performance

An organisation's achievements relative to its strategic objectives and its outcomes in terms of its effects on the capitals.

Performance indicators

Quantitative measures, qualitative measures, and/or qualitative discussions of the nature and extent to which an organisation is using resources, providing services, and achieving its service performance objectives. The types of performance indicators used to report service performance information relating to inputs, outputs, outcomes, efficiency, and effectiveness.

Performance management system

Mechanisms to monitor service delivery throughout all stages in the process, including planning, specification, execution, and independent post-assessment review.

Public financial management

The system by which financial resources are planned, directed, and controlled to enable and influence the efficient and effective delivery of public service goals.

Public interest

The net benefits derived for, and procedural rigor employed on behalf of all society in relation to any action, decision, or policy.

Public sector services

All the outputs of a public sector organisation, such as products, services, or regulation geared toward achieving certain outcomes.

Reporting process

The people and processes involved in the preparation, review, approval, audit (when relevant), analysis, and distribution of a public sector organisation's reports, both internal and external. All sections in the process need to be robust and closely connected to yield effective reports.

Risk

ISO Standard 31000:2009 – Risk Management defines risk as “the effect of uncertainty on objectives”, which can be positive or negative.

Risk management

ISO Standard 31000:2009 – Risk Management defines risk management as “co-ordinated activities to direct and control an organization with regard to risk”.

Rule of law

Observing legal requirements. The rule of law also implies having effective mechanisms to deal with breaches of legal and regulatory provisions.

Social enterprise

A body which:

- carries on a business for some specified social or environmental purpose
- devotes the greater part of any surpluses to achieving this purpose
- depends primarily on trading for this purpose and not on grants, covenants or donations.

Social value

Social value is concerned with social, economic and environmental wellbeing. In England and Wales, the Public Services (Social Value) Act 2012 requires public bodies to consider how the services they commission and procure might improve the economic, social and environmental wellbeing of the area.

Staff mutual

A loose collective term for bodies formed by buy-outs in which staff have had some part.

Stakeholder

Any person, group, or entity that has an interest in a public sector organisation’s activities, resources, or output, or that is affected by that output. Stakeholders can include regulators, shareholders, debt holders, employees, customers, suppliers, advocacy groups, governments, business partners, and society as a whole.

Stakeholder engagement

Communication and consultation between a public sector organisation and the internal and external stakeholders it engages with.

Strategic planning

A process by which an organisation’s vision is translated into defined objectives and associated steps to achieve them.

Strategy

Long-term plan or policy.

Stewardship

Responsible planning, management, and accountability of the use and custody of a public sector organisation's resources.

Sustainability

The capacity of an individual entity, community, or global population to continue to survive successfully by meeting its intended economic, environmental, and social outcomes while living within its resource limits.

Tone at the top

The words and deeds of an organisation's governing body and senior management that determine its values, culture, and the behaviour and actions of individuals; also defined as 'leading by example'.

Transparency

Openness about the outcomes a public sector organisation is pursuing, the resources necessary or used, and the performance achieved.

Useful information

Information that is relevant to users and faithfully represents what it purports to represent. The usefulness of information is enhanced if it is comparable, verifiable, timely, and understandable.

Value for money

Achieving 'value for money' is often described in terms of economy, efficiency, and effectiveness.

Values

What an entity and individuals stand for; also described as standard operating principles.

Whole-system approach

Based on the argument that public financial management (PFM) will be more effective and more sustainable if there is a balance across the full range of PFM processes, buttressed by effective national, sub-national, and supra-national organisations and, in the context of international development, supported by relevant donor contributions. It defines how the key constituent parts (such as external assurance and scrutiny, financial reporting, and audit standards) contribute to the integrity of the whole system.

CIPFA The Chartered Institute of Public Finance & Accountancy

Registered office:
77 Mansell Street, London E1 8AN
T: +44 (0)20 7543 5600 F: +44 (0)20 7543 5700
www.cipfa.org

Delivering good governance in local government: framework

Addendum, covering the annual review of governance and the annual governance statement

Approved by
Public Financial Management Board, CIPFA
Policy Board, Solace

May 2025

For application to annual governance statements for 2025/26 onwards

The **Chartered Institute of Public Finance and Accountancy** (CIPFA) is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, major accountancy firms and other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA leads the way in public finance by standing up for sound public financial management and good governance.

SOLACE (the Society of Local Authority Chief Executives and Senior Managers) is the representative body for senior strategic managers working in the public sector. The Society promotes public sector management excellence and provides professional development for its members who come from all areas of the public sector. Whilst the vast majority of its members work in local government it also has members operating in senior positions in health authorities, police and fire authorities and central government. SOLACE spans all of the UK, having membership in Northern Ireland, Wales, Scotland and England.

The Chartered Institute of Public Finance and Accountancy.
Registered with the Charity Commissioners of England and Wales No 231060.
Registered with the Office of the Scottish Charity Regulator No SC037963.

CIPFA

Delivering good governance in local government: framework

Addendum, covering the annual review of governance and the annual governance statement

Approved by
Public Financial Management Board, CIPFA
Policy Board, Solace

May 2025

For application to annual governance statements for 2025/26 onwards

solace

Published by:

CIPFA \ The Chartered Institute of Public Finance and Accountancy

77 Mansell Street, London E1 8AN

020 7543 5600 \ hello@cipfa.org \ www.cipfa.org

Applicability and status of the addendum

Local authorities are accountable to the public and other stakeholders for ensuring they have a sound system of governance. They are required to prepare and publish an annual governance statement (AGS) in accordance with statutory regulations of the appropriate national government[1].

The statement should be consistent with the principles of good governance set out in **Delivering Good Governance in Local Government: Framework** (Governance Framework) (CIPFA and Solace, 2016). The statement includes the result of a review of the effectiveness of its system of internal control and provides assurance on whether the authority's governance arrangements are fit for purpose.

This addendum is the first update of the guidance since 2016 and replaces chapter 7 of the Framework publication. The 2016 publication and the seven principles of good governance remain unchanged.

Authorities should ensure that the AGS for 2025/26 onwards complies with this guidance, and they are encouraged to consider it for 2024/25.

The guidance applies to all principal local government bodies[2], including:

- county councils
- district, borough and city councils
- metropolitan and unitary councils
- the Greater London Authority and functional bodies
- combined authorities, combined county authorities, city regions, devolved structures
- Scottish councils and other local government bodies under section 106 of the Local Government (Scotland) Act 1973
- the City of London Corporation
- fire authorities in England and Wales
- police and crime commissioners, and police, fire and crime commissioners
- chief constables in England and Wales
- national park authorities
- passenger transport executives
- corporate joint committees (Wales)

1. The Accounts and Audit Regulations 2015, the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015, the Local Authority Accounts (Scotland) Regulations 2014 and the Accounts and Audit (Wales) Regulations 2014.
2. The appropriate regulations define the relevant authorities.

Audience

The addendum is important for elected representatives, senior management and all those involved in the annual review of governance and preparation of an annual governance statement (AGS). It is also relevant for the internal auditors and external auditors of the authority.

Key roles	Responsibilities
Elected representatives, including councillors and fire authority members Police and crime commissioners (PCC) Chief constables	Overall responsibility for the governance of the local authority and for the fulfilment of accountabilities to the public and stakeholders. Approval of the governance arrangements of the authority, either directly or through delegations, including the Constitution and local code of governance. In a local authority the AGS must be approved by a body charged with governance (full council) or delegated to an appropriate committee, such as an audit committee. The AGS must then be signed by a leading member, alongside the chief executive. (In Scotland the leader of the council must sign the AGS.) In policing, the appropriate corporation sole (PCC and chief constable) must approve and sign the AGS. Following publication, elected representatives have oversight of and accountability for agreed actions to improve governance.
Chief executive (head of paid service), chief financial officer (section 151 or section 95, section 112 (fire) or section 73 officer (combined authority) as appropriate) and monitoring officer	Statutory officers with specific governance responsibilities. Typically, the annual review and preparation of the AGS is overseen by one of them. The chief executive must sign the AGS.
Other senior management	Responsible with the statutory officers to put in place the appropriate arrangements for governance and providing assurance on its effectiveness in their service areas.
Other officers with governance roles	Co-ordination of the annual review and drafting of the AGS in support of the statutory officers and other governance leadership responsibilities.
Head of internal audit	Provides an annual conclusion on governance, risk management and internal control as part of internal audit standards, which informs the review. Provides additional assurance to senior management and elected representatives on the adequacy of the review of effectiveness. To avoid impairments to professional independence, the Head of Internal Audit should not draft the AGS. Where the HIA drafts the AGS, this should be identified as a role beyond internal auditing. Under auditing standards, it must be included in the audit charter and safeguards agreed, such as alternative processes to gain assurance.

Introduction

The last few years have tested the governance of many authorities. Pressures on financial resources, innovative approaches to the delivery of services and increased commercialisation, as well as the COVID-19 pandemic, have meant those charged with governance and leadership teams have had to make difficult decisions. The quality of governance arrangements is of paramount importance to enable authorities to make decisions with high-quality information, and with a good understanding of risk. Robust and trusted decisions are built from engagement with communities and stakeholders and with a focus on the public interest. In addition, they need confidence that their governance supports the effective implementation of those decisions, and that they have sufficient assurance to inform their understanding. Ensuring adequate capacity, capability and leadership are fundamental, together with a focus on longer-term planning rather than short-term fixes. In short, all seven principles of the Governance Framework must be fit-for-purpose.

Delivering Good Governance in Local Government (CIPFA and Solace, 2016)

Unfortunately, governance has not been fit for purpose in all authorities. The governance reviews following Section 114 reports and reports in the public interest, or other interventions, have highlighted governance weaknesses as well financial concerns. Although not present in every case, the following have been noted:

- a culture that allows for widespread failure to follow due process, the constitution, and codes of conduct,
- leadership that has lost sight of an authority's role and function as a leader of place and provider or enabler of services,
- poor understanding of risk or inadequate management of risks,
- weaknesses in internal controls,
- weak oversight and challenge from those charged with governance,
- dysfunctional relationships between senior officers and members,
- reduced capacity and/or capability in critical areas,
- poor data quality or flawed information used in decision making,
- limited oversight of arm's length arrangements such as trading companies and joint ventures through a failure to put in place appropriate governance, risk and control arrangements,
- a lack of self-assessment and commitment to continuous improvement,
- a lack of transparency and/or openness to external challenge.

Some authorities have not demonstrated an awareness of where their governance is not fit for purpose. When authorities are unable or unwilling to recognise and acknowledge weaknesses, accountability to the public is not fulfilled. Some authorities have failed to take the early action that might have minimised or avoided more serious service or financial problems.

Purpose

It is in this context that this update to the Delivering Good Governance in Local Government: Framework (CIPFA and Solace) should be adopted. It provides the opportunity for all those with a responsibility for good governance to reconnect with the principles they and their organisation should be striving to meet. Preparing an AGS is an opportunity to undertake a rigorous annual assessment of governance and consider whether it truly is fit for purpose. The review should take into account not just current demands but also anticipated challenges. The unexpected can and will happen, and authorities cannot be ready to meet every eventuality, but each organisation should have sufficient resilience to flex and adapt.

In the years ahead authorities must continue to meet significant challenges, for example:

- service and financial pressures in areas such as social care and housing,
- economic events impacting on funding and income generation,
- new legislation,
- devolution or structural change, including local government reorganisation,
- climate change and net zero,
- use of artificial intelligence in the authority's systems and processes.

Meeting these challenges is necessary to maintain the trust of the public in the authority. This means local authorities must be resilient and sustainable in their governance.

THE REVIEW OF GOVERNANCE

Authorities should review the effectiveness of their governance each year, to fulfil the requirements of both the regulations applicable to their authority and the Code of Practice on Local Authority Accounting in the United Kingdom.

The benchmark against which the review should be undertaken is the seven principles of good governance, as set out in the Governance Framework.

This guidance covers the following:

- description of an authority's governance arrangements in the local code of governance,
- conducting the annual review,
- content of the annual governance statement,
- publication and accountability.

The local code of governance

CIPFA and Solace recommend that authorities adopt a local code of governance which sets out their governance arrangements, showing how governance principles are put into practice at their authority. The code should:

- clearly align to the principles in Delivering Good Governance in Local Government: Framework,
- take account of the best value statutory guidance or other statutory requirements of the appropriate national government[3],
- be up-to-date and reviewed regularly to ensure it takes account of changes in the authority and its environment,
- identify what arrangements the authority has put in place to achieve each principle, so it is specific to the authority,
- include values and behaviours as well as processes, as these influence the authority's culture,
- include how the code is reviewed and updated.

Where an authority does not have a local code, the annual review will need to first identify the arrangements it has put in place to meet the governance principles. This information should be to hand from earlier annual reviews, even when a local code has not been formally approved.

Core arrangements for the local code

The local code, or other description of governance arrangements, should include details of your arrangements that address areas that are core to good governance. These arrangements are essential for a corporate culture focused on achieving objectives, managing risk and fulfilling stewardship and statutory responsibilities, including best value. A more comprehensive code will provide stronger evidence of your authority's alignment to good governance principles, and CIPFA and Solace would recommend this approach. The annual governance statement will need to provide assurance that the following core arrangements are in place and operating effectively.

3. For England: Best value standards and intervention: a statutory guide for best value authorities (May 2024) For Scotland: Best Value: revised statutory guidance 2020 (March 2020) For Wales: Part 6 Local Government and Elections (Wales) Act 2021 and part 2 s13 Well-being of Future Generations (Wales) Act 2015 For Northern Ireland Part 12 Local Government Act (Northern Ireland) 2014 Performance Improvement.

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

- Arrangements to ensure ethical conduct for both members and officers, including codes of conduct, management of conflicts of interest, declarations of gift and hospitality, training and evaluation. Where appropriate, include how codes of ethics for the sector are implemented and supported. Sector requirements include the Code of Practice for Ethical Policing and the Police Code of Ethics, and the Core Code of Ethics for Fire and Rescue Services – England.
- Arrangements covering the ethical behaviour of external service providers.
- Arrangements to support whistleblowing.
- How compliance with laws and regulations and internal policies and procedures is ensured and arrangements to ensure expenditure is lawful.
- How breaches of ethical arrangements, laws, regulations and procedures are addressed and learning adopted.
- How all those in governance roles and senior managers demonstrate their leadership of an ethical culture.

Principle B: Ensuring openness and comprehensive stakeholder engagement

- How the authority ensures that decisions are made in the public interest and the rationale for decisions is recorded.
- How the authority achieves expected standards of openness and transparency, including a culture of internal challenge and self-assessment.
- The arrangements for consultation and engagement with citizens, service users and stakeholders and how these inform decision-making.
- The ways in which the authority communicates with the community and stakeholders.

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

- How the authority establishes its vision, target outcomes, and associated long-term plans to deliver sustainable outcomes.
- Its decision-making arrangements and how it ensures consideration and demonstration of value for money and best value.
- Arrangements to achieve fair access to services.
- The authority's strategic approach to commissioning across the entity and its partnerships and collaborations.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

- The arrangements for medium and short-term service planning, supported by projects and programmes, to ensure alignment to the vision and objectives.
- How budgets and resource strategies align to the delivery of objectives.
- How the authority uses self-assessment and continuous improvement to achieve value for money.

- The authority's performance management arrangements to ensure continued alignment to its objectives.
- Arrangements for the achievement of social value in commissioning, procurement and contracting.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

- Member and officer protocols and clarity over roles and responsibilities, including schemes of delegation.
- Application of the Code of Practice on Good Governance for Local Authority Statutory Officers.
- How financial management roles align with:
  - CIPFA Financial Management Code (FM Code)
  - CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015), The Role of the CFO in Combined Authorities (2024) or The Role of Chief Financial Officers in Policing (2021), as appropriate.
- The arrangements in place for the discharge of the monitoring officer function.
- The arrangements in place for the discharge of the head of paid service function.
- Induction and development programmes to meet the needs of members and senior officers in relation to their strategic roles.
- Workforce planning and organisational development.
- Arrangements for learning and development, and health and wellbeing.

Principle F: Managing risks and performance through robust internal control and strong public financial management

- Risk management policy, strategy and arrangements for review.
- How financial management arrangements align with the Financial Management Code.
- Internal control arrangements including:
  - Cyber, AI and information security arrangements
  - information governance
  - asset management
  - procurement and contract management.
- Assurance frameworks across the three lines. The framework should set out how the leadership team obtains its assurance, including from management, risk and compliance arrangements, and internal audit.
- Internal audit arrangements in conformance with the Global Internal Audit Standards in the UK public sector(GIAS and the Application Note) and the CIPFA Code of Practice on the Governance of Internal Audit.
- Arrangements for formal overview and scrutiny (as applicable).
- Facilitation of internal and external challenge.

- Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2022).
- Counter fraud and anti-corruption developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).
- Governance, risk and control arrangements across companies, partnerships, collaborations and arm's length bodies.
- Internal governance and assurance standard (fire services only).

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

- Arrangements for the timely response and support to the work of external audit, internal audit and other inspection or regulatory action.
- Approach to welcoming external challenge and implementing recommendations.
- How learning and improvement are actioned.
- How transparency and accountability are maintained across collaborations and arm's length bodies, such as trading companies and joint ventures.
- Accountability to the public and stakeholders is supported by clear assurance and ensures core areas are covered to enable better accountability in practice.

The local code should be a public document or webpage, easily identifiable on the authority's website. It should be a useful reference for both officers, elected representatives and the public to understand how governance works and the authority's commitment to good governance.

Within the local government sector there will be aspects specific to some bodies but not all, for example the operation of the Force Management Statement and the Code of Ethics in police bodies.

While the preparation of a local code is strongly recommended, it is not a requirement of the regulations. Where an authority does not publish a local code, it will need to explain the elements set out above in its AGS.

Conducting the annual review

The annual review is a requirement of the regulations of the national governments. It is an opportunity to take stock of governance, ensuring that the published AGS and associated improvement actions are based on robust evidence. Authorities should establish processes to gather assurance throughout the year, and not only at the year-end.

Scope of the annual review

- Authorities should assess how effectively their arrangements meet the principles of good governance **in practice**. The identification of those arrangements in the local code facilitates the review.
- The review should consider if and how its governance arrangements support the achievement of the authority's purpose and objectives – its outcomes.
- The review should consider whether the authority's governance arrangements, including all the core arrangements listed above, are operating effectively. It should identify any areas for improvement.

Gaining assurance for the annual review

- Authorities should approach the review in a way that will provide the required assurance in an efficient and effective manner. Each authority will have existing sources of assurance that make up its assurance framework to support the review:
  - the head of internal audit's annual conclusion on governance, risk management and internal control,
  - assurances from the statutory officers and other senior managers,
  - assurance from members, for example annual reports from committee chairs,
  - performance and data reports that demonstrate how well the authority has met its objectives and managed its resources; benchmarking data may help the assessment,
  - evidence of the management of risks from the risk management framework,
  - accreditations or independent assessments against control frameworks or standards such as ISO27001, and the NCSC Cyber Assessment Framework,
  - self-assessments against best practice guidance that underpin the core arrangements, such as the Code of Practice on Good Governance for Local Authority Statutory Officers or the Financial Management Code,
  - best value self-assessments or performance review assessments (using guidance applicable for the authority),
  - the findings of external assessments, from external audit, inspectorates, other regulators, peer reviews and any other commissioned reviews,
  - outcomes from relevant stakeholder engagement exercises,
  - force management statements (police forces only),
  - annual statement of assurance and self-assessment against the Internal Governance and Assurance Standard (fire services in England only).
- The review should include a range of perspectives. The authority's assurance framework should provide different sources of assurance across the three lines: management (first line), risk and compliance functions (second line) and internal audit (third line). It should also engage both senior managers and elected members to ensure wider engagement and ownership.
- Where the assurance framework does not provide sufficient assurance across all the governance principles, apply a risk-based approach to target where further work is required.

The review should consider the financial year to which the AGS relates. The regulations require the AGS to follow the same timetable as the financial statements and it relates to the same financial year. As well as looking backwards, the review must also look ahead to the risks and challenges the authority is facing.

Evaluating the results of the annual review

- The review should be an open and honest assessment. By testing and challenging its own governance arrangements, the authority will gain more robust assurance and add value to the accountability it can deliver. For example:
  - checking consistency of understanding and interpretations across the authority,
  - testing whether assumptions are valid,
  - identifying gaps in the assurance framework,

  - stress testing/scenario planning for anticipated risks, and
  - building understanding of governance.

- As well as considering the financial year to which the AGS relates, the evaluation must also look ahead. Effectiveness means not only that the arrangements were sufficient to meet the challenges of that year, but also that the authority has built in sufficient governance resilience for the current and future years.
- Many authorities have found it helpful to have a governance group comprising key officers with key roles such as the monitoring officer, section 151 officer, head of internal audit, and lead officers for risk management lead and performance. The review should assess the evidence of effectiveness and identify weaknesses or other areas where further improvements can be made. A corporate review and ownership will support a robust conclusion on whether arrangements are fit for purpose.
- The results of the assessment should be reviewed by the leadership team and the audit committee before the final approval in accordance with the requirements of the appropriate regulations. When reviewing the AGS, the audit committee should consider the robustness of the underlying evaluation.

Content of the AGS

To be meaningful as an accountability report, the AGS should be both deep, being based on a comprehensive view of governance, and also brief to communicate the results simply and clearly. Its content must be drafted with the end users in mind, including councillors and the public. The question *who is this for?* should guide officers to ensure accessible and easily understandable language is used.

The AGS should not include extensive description of the different aspects of the authority's governance arrangements, as these should normally be available in the local code. Where the authority has not developed a local code, it will need to set out how its core arrangements meet the principles of good governance in the AGS.

The AGS should be an honest reflection of the effectiveness of the authority's governance, based on a robust, evidenced review. It should be able to provide reasonable assurance on its effectiveness. Identifying areas for improvement and taking the actions needed are signs of a healthy approach to governance. An absence of improvement actions may be a product of a weak or superficial review.

There is no standard template for the AGS as it should derive from the results of assessment. It should contain the following elements, but presentation is flexible.

This is not a rigid template and authorities can present the specified content in the way they find most suitable.

Executive summary

(A summary is an effective tool to improve communication of key messages and aid accountability.)

The summary should pull out the key messages of the AGS.

Summary of key conclusions.

An overall opinion on whether governance is fit for purpose. An authority's governance arrangements are fit for purpose when its governance arrangements, including core areas identified in this guidance, are operating effectively, and support the achievement of the authority's outcomes.

Confirm whether the overall operation of governance arrangements was fit for purpose in the year of review.

Governance outlook and commitment to ensure that governance will be fit for purpose.

Significant changes or areas of improvement the authority will be actioning in the forthcoming year.

Signatures *(as required by the regulations)*

Date of approval

Our assessment of effectiveness

A statement of how the review of effectiveness was conducted and the results, including reference to:

- whether arrangements are adequately aligned to support the authority's delivery of planned outcomes and meet its responsibilities for value for money/best value,
- whether arrangements are in place and operating effectively, to support and deliver each of the principles of good governance,
- explicit assurance that each of the core arrangements for the local code are operating effectively *(they do not need to be individually listed where they are in place and effective if they are clearly identifiable in a publicly available local code)*.
  - where any of the core arrangements are not in place, explain how your alternative arrangements achieve the same goal or include them as an area for improvement,
  - where any core or alternative arrangements are not operating effectively, include them as an area for improvement,
- the results of external assurance providers and internal audit's annual conclusion,
- an explanation of how the overall opinion has been agreed.

Where our governance needs to improve

Identify those areas of governance requiring improvement and how these are being addressed. Identify:

- where there are significant gaps in governance arrangements such as where core arrangements are not operating effectively,
- significant governance failures that occurred during the year and action taken,
- areas where governance arrangements could be easier to understand and comply with, if they are barriers to achieving the principles of good governance,
- action plans to address these in the coming year and beyond where necessary. The AGS action plan should be meaningful but brief. It would be expected that more detailed implementation plans will be used to manage and monitor progress. Include a reference to how the action plans will be monitored.

How we have improved our governance arrangements in (*insert the year*)

- How the governance issues identified in the previous year's statement have been addressed and whether further work is required.
- Any other significant steps to improve governance taken in the year.

(Note you may want to acknowledge that some improvements extend beyond the year covered by the AGS.)

Forward look on governance

An opportunity to identify where governance needs to change or develop to meet the future needs of the authority. Possible examples could be:

- establishment of new collaborative arrangements,
- new legislation requiring changes to governance structures, such as local government reorganisation,
- significant risks for the authority that will change or challenge governance in future years. (Risks should be linked to governance. There will be other risks, some of which may already be set out in the narrative report already.) This is not intended to be a complete list of all the risks on the authority's risk register.

Role of external auditors

Before final approval and publication, the AGS will be reviewed by the authority's external auditor in accordance with the Code of Audit Practice issued by the appropriate national audit body. The auditor will consider if the AGS has been prepared in accordance with the Governance Framework and is consistent with the auditor's knowledge of the authority.

Approval

The annual governance statement should be approved at a meeting of the authority or delegated committee (in Scotland, the authority or a committee with a remit including audit or governance), as required by regulations.

In policing, approval will be from the police and crime commissioner and chief constable as corporations sole.

Where approval is delegated to a committee, such as the audit committee, steps should still be taken to engage with the full authority, as the body ultimately charged with governance. For example, the AGS should be shared with all elected members together with a report from the audit committee on their review. This will help all elected representatives to have sight of the conclusions and agreed actions.

Publication

The timetable for publication is set out in regulations, with deadlines amended from time to time. The timetable is the same as that of the financial statements and in Scotland the AGS is required to be a component of the annual accounts. Where it is necessary to publish the financial statements before the completion of the audit, (for example under the backstop arrangements in England) the AGS should still be published on the website with an explanatory note, in accordance with the dates specified by regulations.

Accountability: presentation and communication of the AGS

The AGS supports the authority's accountability to the public, stakeholders and government. Easy access and communication of its purpose and role are important elements of accountability. Where the AGS is published within the financial statements, further steps should be taken to improve access. Suggested examples of good practice:

- Creating a webpage on governance with plain English explanations of what governance is and why it is important.
- Including the AGS on a governance webpage, alongside other materials such as a local code.
- Use of diagrams or other design features to improve understanding.

- Ensuring the AGS is identifiable on the authority's website. For example, would a search for 'governance' or 'annual governance statement' on the website bring up the latest AGS?
- There should remain a clear link back to the financial statements to ensure the regulations are satisfied.

As well as an important external accountability report, the AGS is informative for staff and elected members. Their actions all contribute to the governance culture of the authority and are key to implementing robust arrangements and improvements. The authority should plan internal communications to share key messages and show staff and members how they contribute to the implementation of the action plan and support good governance.

MEMBERS OF THE REFERENCE GROUP

Chair	Paul Hanson, former Chief Executive North Tyneside MBC

Secretariat	
CIPFA	Diana Melville, Governance Advisor
	Naomi Whitmore, Internal Audit Advisor
Solace	Alex Thomson, Director of Policy and Business Partners
	David Paine, Senior Policy Officer
Observers	
MHCLG	Ben Grubb
Scottish Government	Elanor Davies
Welsh Government	Emma Smith
Northern Ireland	Jeff Glass
Stakeholders	
Local Government Association (England)	Heather Wills, Assistant Director Programme (Corporate)
National audit bodies	Paul Mayers, National Audit Office (Observer) Colette Kane, Northern Ireland Audit Office Kate Havard, Audit Wales Paul O'Brien, Audit Scotland
Police representative (England and Wales)	James Atkinson, Policy and Partnership Manager, Association of Police and Crime Commissioners
Lawyers in Local Government (England and Wales)	Helen Bradley, Director of Law and Governance, Durham County Council
Centre for Governance and Scrutiny	Ed Hammond, Deputy Chief Executive
Practitioners	
	Rob Winter, Member of CIPFA Governance and Assurance Forum, formerly Barnsley MBC
	Laura Williams, Member of CIPFA Governance and Assurance Forum, Head of Internal Audit, Liverpool City Region Combined Authority
	Marion Pryor, Head of Audit and Risk, Isle of Anglesey County Council
	Allison Mitchell, Head of Governance, North Tyneside
	Paul Stone, Director of Resources, North West Leicestershire DC
	Kelvin Menon, CFO, Surrey Police and Crime Commissioner's Office
	Duncan Savage, Assistant Director, East Sussex Fire and Rescue Service
	Emma Foy, former Director of Corporate Services, West Lindsey
	Hannah Doney, CFO, Watford Borough Council

77 Mansell Street,
London E1 8AN
+44 (0)20 7543 5600

cipfa.org/

05/2025

This report is public	
Health and Safety Security at Castle Quay Office	
Committee	Accounts, Audit and Risk Committee
Date of Committee	14 January 2026
Portfolio Holder presenting the report	Portfolio Holder for Corporate Services, Councillor Chris Brant
Date Portfolio Holder agreed report	18 December 2025
Report of	Assistant Director of Human Resources, Claire Cox

Purpose of report

To seek approval from the Accounts, Audit and Risk Committee on the proposed Security Policy for the Castle Quay office.

1. Recommendations

The Accounts, Audit and Risk Committee resolves:

1.1 To review and approve the Security at Castle Quay Office Policy for implementation.

2. Executive Summary

2.1 This report provides an overview of the policy that we have written for review and approval by the Committee, following the move to the Castle Quay Shopping Centre.

Implications & Impact Assessments

Implications	Commentary
Finance	This report does not have financial implications as it is for the approval of policy for security at the new Castle Quay offices. There is base budget for the security services (Oxfordshire Security Services). Kelly Wheeler, Finance Business Partner, 22 December 2025
Legal	The policy sets out the legal context within which this policy has been drafted. Reviewing and updating our security policies is best practice and helps to ensure that we are complying with these legislative requirements. The policy clearly sets out the roles and responsibilities for employees and members at different levels of

	the organisation and sets out clear escalation points for issues encountered under the policy. Denzil – John Turbervill, Head of Legal Services, 23 December 2025			
Risk Management	The reliance on a single external provider (Oxfordshire Security Services) for both policy development and implementation introduces vendor dependency and continuity risks. The delayed testing timeline, planned for April 2026, creates an extended period where untested procedures could leave staff vulnerable to security incidents. Additionally, the absence of detailed ICT, data, and property impact assessments may mask operational or cyber-related vulnerabilities, particularly given the office's location within a busy shopping centre. Training and rollout challenges could lead to inconsistent adoption, increasing the likelihood of procedural gaps during emergencies. Finally, while the policy aims to comply with Martyn's Law, any misalignment or incomplete application could expose the council to reputational and regulatory risks. These and any future arising risks will be monitored and managed through the service operational risk and escalated to the Leadership Risk register as and when deemed necessary. Celia Prado-Teeling, Performance Team Leader, 19 December 2025			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact				N/A
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?				N/A
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?				N/A
Climate & Environmental Impact				N/A
ICT & Digital Impact				N/A
Data Impact				N/A

Procurement & subsidy				N/A
Council Priorities	N/A			
Human Resources	N/A			
Property	N/A			
Consultation & Engagement	N/A			

Supporting Information

3. Background

3.1 This policy sets out how the council as an employer will respond to any events occurring in or around the council office at castle quay. This ensures that we are complying with current health and safety regulations and also the Terrorism Bill (Martyn's Law).

4. Details

4.1 The approach officers are taking is to ensure that there are suitable and sufficient policies in place to ensure the continued health and safety of staff.

4.2 Our security provider Oxfordshire Security Services (OSS) has worked with the Corporate Health and Safety Manager and the Facilities Manager in creating this document and ensuring that there is a process in place to ensure the safety of staff.

4.3 OSS will be assisting the corporate health and safety team and the facilities team in rolling this policy out and providing training to all staff.

4.4 Once the policy has been rolled out it will be subject to testing similarly to fire drills in the offices. This exercise we hope to carry out in April 2026.

5. Alternative Options and Reasons for Rejection

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

Option 1: The alternative option would be to not have any procedures in place for dealing with events which may be out of our control.

6. Conclusions and Reasons for recommendations

6.1 Officers have written the policy attached to this report to reflect new legislation and good practice. For these reasons officers recommend the committee approves this policy.

Decision Information

Key Decision	N/A
Subject to Call in	N/A
If not, why not subject to call in	N/A
Ward(s) Affected	N/A

Document Information

Appendices	
Appendix 1	Security at Castle Quay Offices Policy
Appendix 2	None
Appendix 2	None
Background Papers	None
Reference Papers	None
Report Author	Ruth Wooldridge, Health and Safety Manager
Report Author contact details	Ruth.wooldridge@cherwell-dc.gov.uk
Executive Director Approval (unless Executive Director or Statutory Officer report)	Executive Director Resources, Stephen Hinds, 16 December 2025.

Appendix 1

Cherwell
DISTRICT COUNCIL
NORTH OXFORDSHIRE

Castle Quay Offices Security Policy

DOCUMENT CONTROL

Organisation(s)	Cherwell District Council (CDC)
Policy title	Castle Quay Security Policy
Owner	Health and Safety and Facilities Management
Version	1.0
Date of implementation	January 2026

DOCUMENT APPROVALS

This document requires the following committee approvals:

Committee	**Date of meeting pending approval**
CLT	December 2025
AARC	January 2026

DOCUMENT DISTRIBUTION

This document will be distributed to all employees of Cherwell District Council.

DATE FOR REVIEW

No later than January 2029 but sooner if impacted by legislative changes.

REVISION HISTORY

Version	**Revision date**	**Summary of revision**
1	December 2025	First Version of the document

Contents

9.10 Summary of Roles

1. Introduction

This policy identifies how Cherwell District Council will manage the security risks at the Castle Quay Offices for both staff and visitors during normal business operations and emergency situations.

2. Purpose

To provide clear guidance for both staff working in the reception area on managing challenging and potentially disruptive visitors, contractors or members of the public, ensuring the safety of staff and visitors, and outlining the escalation, lockdown, and evacuation procedures at the Castle Quay offices. This document ensures the safety of staff and visitors and outlines the de-escalation, lockdown, and evacuation procedures.

3. Policy Statement

Cherwell District Council recognises that employees could face a threat from members of the public who visit the council offices. The Council also accepts that some employees may be more at risk than others due to the nature of their role at the council.

This guidance outlines the arrangements the Council has put in place to help protect all employees working in the offices to ensure the safety as far as possible of our employees and other members of the public every employee must comply with this policy.

Team procedures should be followed for escalation of issues in normal circumstances including if an employee requires additional assistance from a team member or manager with a query.

Team procedures should also still be followed for known customers who may be a challenge and have been flagged as needing two members of staff present for interviews. If a customer is visiting the offices and additional support i.e. Security Officer or Police presence is required team procedures should be followed providing as much advance notice as possible.

Employees, for their part, are required to co-operate with the implementation of this Policy to assist the Council in fulfilling its statutory obligations. Employees should also draw to the attention of their management any deficiency in this Policy in order that they may be reviewed and any suitable amendments made in the appropriate cases.

Though we occupy part of the Castle Quay Centre we do still require to have our own procedures in place to ensure the safety of everyone. This document has been produced in conjunction with Castle Quay Centre on-site management and will be reviewed where necessary.

The Chief Executive, Executive Directors, Assistant Directors, Heads of Service, and Service Managers are responsible for ensuring the requirements of this Policy are implemented within their areas of responsibility.

4. Legislation

Whilst there is no specific health and safety legislation around the security of buildings and employees when they are at work the council has an obligation under the Management of Health and Safety at Work Regulations 1999 to provide a safe working environment for all employees.

The Terrorism Act 2025 requires certain premises and events to ensure steps have been taken to prepare for potential terrorist attacks and get ready to help keep people safe in the event of an attack. In addition, certain larger premises and events will be required to consider and, where appropriate, take steps to reduce their vulnerability to acts of terrorism.

The Castle Quay offices are categorised under the standard tier premises. We are required to have in place, so far as is reasonably practicable, appropriate public protection procedures.

These are procedures that may be expected to reduce the risk of physical harm to individuals if an act of terrorism occurred at the premises or in the immediate vicinity. They are procedures to be followed by people working at the premises where they suspect an act of terrorism is occurring, or is about to occur, at the premises or in the immediate vicinity.

The types of procedure are listed in the Act. The requirements for these smaller premises are focused on activities to enact policies and procedures that are expected to be simple and low cost. The aim of these requirements is to improve staff preparedness and responses. The Act does not require physical alterations to premises or the purchase of equipment for the purpose of having these procedures in place.

5. Risks

There are risks to the council and all employees that need to be considered which could lead to them being threatened by a member of the public. The most inherent risks are detailed below:

- Unauthorised access to council premises by members of the public.
- Suspect packages being left on the premises
- Bomb threat warnings coming in via telephone to anyone working in the offices and not necessarily via customer services.
- Verbal threats during interviews and meetings
- Physical threat to themselves and others in the reception area or interview rooms.
- Damage to property including personal belongings.
- A security incident within the shopping centre
- Notification of a problem within Banbury Town Centre by the Police.

Part 1 – General security procedures at Castle Quay

All councillors, employees, agency staff and contractors have responsibilities regarding ensuring the continued safety of the premises at all times.

An appointed security company is responsible for ensuring that the building is kept secure and safe outside of core hours covering evening meetings, late night working etc. The security company can also be called upon to assist in the event of an incident in the offices but will not be on site. The Customer Services team, facilities team, and the duty director have their contact details.

6.1 Responsibilities

All building users
Everyone has a responsibility for ensuring the continued safety of staff, councillors and visitors to the Castle Quay offices. Therefore, everyone must ensure that:

- All employees wear their ID badges when working in the buildings.
- Doors are not left propped open for any reason allowing access to unauthorised persons.
- Everyone must ensure that no tailgating occurs at the entry and exit points and challenges any persons entering without their ID badge. Where necessary directing them to the main reception area.
- Following any evacuation planned or otherwise that all access and egress points are secured.
- Ensuring that all external doors are closing when entering or leaving the building to prevent tailgating.

Chief Executive
The Chief Executive has the overall responsibility for the implementation of the Security Policy and ensuring that all operations and undertakings of the council are carried out with due regard for the health, safety and welfare of all employees and visitors to Castle Quay offices.

In particular the Chief Executive will ensure that:

- There are arrangements for identifying, evaluating and managing risks associated with security at the Castle Quay offices.
- Resources are provided for putting the policy into practice; and
- There are arrangements for monitoring incidents linked to security on site and that regular reviews of the effectiveness of the policy are carried out.

Executive and Assistant Directors
In addition to the Chief Executive each Executive Director and Assistant Director has a key role in ensuring that this policy is maintained, both across the council and in their directorate. Each Executive and Assistant Director will ensure that within their directorate:

- Implementation of this policy, guidance and procedures are monitored and reviewed as necessary, taking into account organisational changes.

- Resources are allocated to enable these responsibilities to be carried out.
- Employees are aware of this policy and receive clear information and instruction on risks to their health and safety identified by a risk assessment and the safe system of work procedures to be used.
- Suitable information, instruction, training and supervision are arranged for all employees required to undertake work activities in the reception area.
- Any incidents are reported promptly to the health and safety team, investigated and appropriate remedial action is taken.
- Where any work situation that threatens serious and immediate danger; or any hazard or failure or inadequacy in health and safety precautions are reported by employees or other persons are investigated as required and corrective action taken.
- Ensure that managers and supervisors within their services uphold their responsibilities with regards this policy.

All Line Manager & Supervisor Responsibilities

All Managers and/or Supervisors of employees have the following responsibilities: -

- To ensure all employees including agency staff follow this policy wherever they work within Castle Quay offices.
- Ensure every employee affected by this policy, has access to, or are issued with and familiarise themselves with this policy.
- Ensure that all staff have read and understood any risk assessments and work procedures relating to activities including security within their service.
- Ensure that all staff attend any training which is provided for their benefit and awareness.
- Following any incident ensure that staff affected are debriefed accordingly and appropriate support is provided including the utilisation of the council's Employee Assistance Programme.

Employee Responsibilities

All staff have a responsibility to ensure the safety of themselves and others whilst working at Castle Quay offices. They must:

- Comply with this policy at all times.
- Advise their line manager of a potential issue at the earliest opportunity.
- Participate in any training provided for them where required.
- Report any incidents whilst working in the area at the earliest opportunity to their manager.

Health & Safety Team Responsibilities

- Monitor all incidents and highlight with relevant line manager to take appropriate action.
- Support Managers in any necessary training for employees where it is identified.
- Monitor and review compliance with this policy.

- Report to senior management any incidents and any subsequent findings on a monthly basis.

Security Provider Responsibilities

- Act as primary responder to any incidents at Castle Quay offices as required.
- Acknowledge any request asap, despatching nearest trained security officer, conduct a dynamic risk assessment
- Notify CDC of approx. time of arrival at site
- Obtain a basic report on the situation from staff at castle quay.
- Upon arrival on site respond accordingly
- Participate in any debriefs as required.

6.2 Post-Incident Actions

Following any incidents within Castle Quay offices a thorough debrief must take place as soon as possible with all parties involved including our security provider where appropriate in order to review and look at lessons learned.

- A **debrief** must be held by all persons involved and the Duty Manager at the time of the incident.
- An **Incident Report** must be completed within 24 hours.
- Any system faults, behavioural concerns, or lessons learned must be documented.
- Staff requiring support should be provided with details of our Employee Assistance programme.

Part 2 – Managing difficult customers

7.1 Purpose

To provide clear guidance for reception staff and council employees on managing challenging or potentially disruptive visitors, contractors, or members of the public. This document ensures the safety of staff and visitors and outlines the de-escalation, lockdown, and evacuation procedures.

7.2 Scope

Applies to all reception staff, office-based employees, facilities team, and senior management during office hours: Monday to Friday, 08:45 – 17:1**5.**

Outside of the normal office hours when the building is open a security guard will be on site to respond to any incidents as required.

7.3 Responsibilities

Initial response for reception or staff dealing with member of public

- Attempt to de-escalate the situation remaining calm at all times.
- Make contact with duty officer if necessary for support and assistance.

7.4 Managing Difficult Visitors

Reception Initial Response

- Greet visitors courteously.
- Identify visitor causing concern.
- Attempt de-escalation using calm, neutral language.
- Avoid physical confrontation or raised voice.

Escalation to Duty Officers (Line Manager)

- Call relevant duty officer which should be a more senior person in the employees team if de-escalation fails.
- Duty officer to attempt resolution by speaking with the person concerned.

Escalation to A Senior Manager or Duty Director

- Contact senior management if unresolved.
- A senior manager on site or the duty director decides whether to initiate lockdown of the offices.

7.5 If a Lockdown of Reception or assistance from security is deemed necessary

- Further action should only be taken as a last resort when other avenues have been explored.
- Please refer to Part 3 Panic button instructions for further guidance.

7.6 De-Escalation Behavioural Guidance

Early Awareness and Prevention

- Observe tone, body language, and emotional state.
- Address early signs of agitation.
- Offer practical help where possible.
- Maintain calm and child-safe environment.

Dos and Don’ts

Do	Don't
Stay calm, speak slowly	Argue or raise voice
Open posture, hands visible	Cross arms or point
Use names respectfully	Label or criticise
Listen fully before responding	Interrupt or dismiss
Keep safe personal space	Invade space or touch

Helpful Phrases

- "I can see this is frustrating — let’s find a solution together."
- "I want to help, but I need us both to stay calm."

- "Let me bring a colleague to assist further."

Body Language & Tone

Positive	Avoid
Slight nods, relaxed stance	Eye-rolling or folded arms
Calm facial expression	Smirking or sarcasm
Moderate eye contact	Staring or avoiding completely
Standing at slight angle	Confrontational posture

Part 3 - Panic Alarm Procedure – Castle Quay Offices

8.1 Purpose

To provide a clear, coordinated, and safe response to all panic alarm activations within Castle Quay. This procedure ensures that threats are managed by trained personnel and that employees, visitors, and contractors are protected through rapid triage, communication, and lockdown measures.

8.2 Panic Alarm Activation

When to Activate

A panic alarm must be activated **only when a person experiences or witnesses:**

- Immediate personal threat
- Verbal or physical aggression
- Violence or attempted assault
- Threat involving a weapon
- Any situation where safety is at immediate risk

8.3 Alarm Transmission

- The panic alarm sends an instant signal to both the **Main Office** and the **security providers Control Room**. They will automatically respond.
- **Reception will immediately enter lockdown preventing anyone leaving or entering through those doors.**
- **Fire Wardens** will be positioned at door entrances to prevent persons entering/leaving via Reception area.
- **Customer Services, Facilities Management, and Senior Management** on site will initiate the wider lockdown procedure when instructed.

8.4 Panic Alarm Response Procedure (Step-by-Step)

Step 1 – Initial Triage (Customer Services / Facilities / Reception)

Upon receiving an alarm:

1. **Identify the alarm location** via the control panel/system alert.
2. **Assess the type of threat**, including:
    - Verbal aggression
    - Physical altercation
    - Weapon or suspected weapon
    - Unknown threat
3. Assess and decide whether the Security personnel is sufficient or whether the Police are required.
4. **Notify the police (999) if assessed as necessary.**
5. **Notify the shopping centre security personnel** of the situation.

6. **Fire Warden** responds immediately to secure internal reception doors to prevent staff entering the area from the inside of the office space.
7. **One Fire Warden** positions at the main public entrance to prevent entry by employee or public from the inside of the office space.

Step 2 – Reception being put into Lockdown

Upon reception entering lockdown the reception staff must:

- Lock internal doors and secure their immediate area.
- Ask where possible for visitors to leave for their own safety.
- Ensure that entry doors are being secured with Fire Wardens positioned on the staff side. This can be actioned through use of the radios, so as not to cause panic or through the Customer Services team and FM.
- Avoid confrontation; prioritise protecting themselves and others.
- Await further instructions from Management, whilst ensuring their own safety.
- Maintain radio contact with the Duty Manager
- Update via radio as and when necessary.

Fire Wardens:

- Deploy to the **three main entry points**.
- Prevent entry or exit until our security provider or the Police issues the **All Clear**.
- Direct staff/visitors to the safest location.

Duty Manager

- Start a log to keep track of events and timelines.
- Decide whether to put the whole office into lockdown and advise accordingly.
- Act as point of contact with Security personnel and/or the police.
- Ensure that FW are rotated if the situation is prolonged.
- Liaise with FM and H&S personnel.

Line Manager of persons involved
- Provide the necessary support during and after the event to all involved.
- Attend any debriefings with those involved.

Council staff
- Follow all lockdown procedures and instructions.
- Remain in safe locations, do not leave the building whilst the event is ongoing.

8.5 Method Statement – Panic Alarm Response

Objective
To ensure a safe and systematic approach to managing panic alarm incidents.

Scope
Applies to all staff within Castle Quay Council Office and surrounding areas.

Method

1. **Threat Identified → Alarm Activated**
2. **Signal received in security providers Control & Main Office**
3. **Triage conducted** to determine location and nature of threat.
4. **Lockdown initiated** in Reception and surrounding areas if required.
5. **Fire Wardens deployed** to secure entry points.
6. **Security personnel respond** to the incident area.
7. **Duty Manager coordinates communication**, including Police if required.
8. **Incident is resolved and verified safe** by our security provider
9. **"All Clear" issued** by the security provider and Duty Manager.
10. **Debrief & documentation** completed after every activation.

8.6 Risk Assessment – Panic Alarm Procedure

Risk Assessment Summary Table

Hazard / Threat	Risk Description	Likelihood	Severity	Controls in Place	Residual Risk
Violent or aggressive individual	Staff may be threatened or assaulted	Medium	High	Panic alarms, lockdown process, trained staff	Low/Medium
Delayed response	Staff unable to access help quickly	Low	High	Direct alarm to security provider + Main Office, trained responders	Low
Uncontrolled public access during incident	Bystanders could enter danger zone	Medium	Medium	Fire Warden door control, lockdown system	Low
Miscommunication between teams	Slower or incorrect response	Medium	Medium	Duty Manager coordination, radios/phones, clear procedure	Low
Staff panic or confusion	Improper actions may increase risk	Medium	High	Regular training, clear signage, defined roles	Low/Medium
Failure to evacuate or shelter correctly	Staff/visitors could be exposed to danger	Low	High	Fire Wardens + lockdown protocols	Low

Part 4 – Security Lockdown at CQ Offices, Method Statement & Procedures

9.1 Purpose

To provide clear, rehearsed, and coordinated instructions for all Castle Quay offices, Council staff, Fire Wardens, and Security teams during a security lockdown or evacuation. The aim is to protect life, maintain order, and ensure all personnel understand their responsibilities, including communication with emergency services.

Method Statement for Security Lockdown

9.2 Scope

This method statement applies to: - All Castle Quay Council Offices - Castle Quay Shopping Centre operational areas - All staff, Security Officers, Fire Wardens, and Facilities Management.

Overview of Lockdown Types

Type	Trigger	Purpose	Key Actions
Local Lockdown	Panic alarm activated in Reception or Council areas	Contain a localised threat and safeguard nearby staff	Reception locks down; Fire Wardens secure and monitor 3 designated points
Full Site Lockdown	Triggered by security providers Control or Shopping Centre alarm	Protect all building occupants; prevent access or movement	All departments secure rooms: staff remain sheltered in place
Evacuation	Fire alarm or confirmed emergency with safety risk	Move all persons to external safety	Fire evacuation routes followed to Assembly Points

9.3 Lockdown Procedure (Council Offices)

Upon Hearing the Lockdown Signal (distinct tone)

1. Stop all movement immediately. Direct all visitors and non-staff to the nearest safe internal area.
2. Secure all access points:
    - Lock the main entrance.
    - Lock internal access doors.
    - Close blinds where possible.
3. Fire Wardens to deploy:
    - Man, the three designated entry doors.
    - Report lockdown status to security providers Control room.
4. Remain silent, calm, and away from windows.
5. Await further instruction from our security providers Control, Duty Manager, or Police.

9.4 Emergency Communication Procedure

9.4.1 Process for Calling the Police (999)

1. Provide the operator with:
    - Location: Castle Quay / Council Offices (state building/level)
    - Nature of threat: violence, weapon, intruder, suspicious activity, etc.
    - Your name and position.
    - Number of people present and any injuries.
2. Follow Police instructions exactly.
3. Do not leave the safe area to make the call unless safe to do so.

9.4.2 Informing Castle Quay Security

1. Call our security providers Control Room via internal line or radio.
2. State:
    - Type of incident
    - Exact location
    - Visible threat
    - Whether Police have been contacted
3. Maintain communications until instructed otherwise.

9.4.3 Informing Fire Wardens and Facilities / Management

- Fire Wardens become first responders in a lockdown.
- Facilities Management secures plant rooms, utility access, and sensitive areas.
- The Duty Manager assumes operational control until Police or Centre Management take over.

9.5 Full Site Lockdown Procedure

1. Departments secure all internal rooms:
    - Lock doors
    - Turn off lights if appropriate
    - Move occupants away from sight lines
2. Staff and visitors remain sheltered in place.
3. Our security providers Security Officers assess the threat and respond accordingly.
4. The Duty Manager coordinates all information flow between our security provider, Fire Wardens, Centre Management, and Council Senior Management.
5. Do not open doors for any reason until **ALL CLEAR** is issued by our security provider, Duty Manager, or Police.

9.6 Evacuation Procedure

1. When the fire alarm sounds, begin immediate evacuation.
2. Fire Wardens conduct area sweeps and assist staff/visitors.
3. Proceed to Assembly Points via designated routes.

4. Our security provider coordinates emergency services arrival and updates Duty Manager.
5. Re-entry is only permitted when authorised by Fire Officer, Police, or our security providers' Duty Manager.

9.7 Training & Implementation

- Frequency: Twice per year (1 x Lockdown drill, 1 x Evacuation drill)
- Led by our Security provider with Cherwell District Council
- Records kept by: Facilities Management
- Post-Drill Debrief: Within 24 hours, covering:
    - Response timings
    - Communication effectiveness
    - Behavioural observations
    - Corrective actions

9.8 Communication Tools

- Distinct Lockdown Sounder (not fire alarm tone)
- Internal Announcement Template: > "Attention all staff: A security situation is being managed. Please initiate lockdown procedures immediately. Await further instructions from our security providers Control or the Duty Manager."

9.9 Post-Drill Review

Our security provider and Fire Wardens evaluate: - Time required to secure all access points - Staff understanding and behaviour - Communication clarity - Improvements to be implemented.

9.10 Summary of Roles

Role	**Responsibility**
Staff Member	Activate panic alarm if threatened; follow lockdown instructions
Security providers Control	Receive alarms, assess threat, communicate with Duty Manager, initiate lockdown
Fire Wardens	First response: activate sounder, secure 3 entrances, support communications
Security Officers	Attend incident, evaluate risk, manage threat, escalate to Police
Duty Manager	Oversee incident, liaise with Council and Centre Management
Facilities Management	Secure building utilities, ensure safe mechanical/electrical areas
Council Reception / Offices	Lock down area and await **All Clear**

This report is public	
Capital, Investment and Treasury Management Strategies 2026-27	
Committee	Accounts, Audit and Risk Committee
Date of Committee	14 January 2026
Portfolio Holder presenting the report	Deputy Leader and Portfolio Holder for Finance, Property & Regeneration Councillor Lesley McLean
Date Portfolio Holder agreed report	30 December 2025
Report of	Assistant Director of Finance (S151 Officer), Michael Furness

Purpose of report

To submit the draft Capital and Investment Strategy and Treasury Management Strategy for 2026-27 for recommendation by the committee to the Executive.

1. Recommendations

The Accounts, Audit and Risk Committee resolves:

1.1 To recommend the draft Capital and Investment Strategy for 2026-27 (Appendix 1) and draft Treasury Management Strategy for 2026-27 (Appendix 2) to Executive.

2. Executive Summary

2.1 The Capital and Investment Strategy and Treasury Management Strategy must be approved by Full Council annually and must satisfy the requirements of government legislation and CIPFA guidance.

2.2 Draft strategies are brought to the Accounts, Audit and Risk Committee for review and comment, and to be recommended to Executive.

Implications & Impact Assessments

Implications	Commentary
Finance	There are no financial implications arising directly from this report. However, the strategies lay out the council's approach to capital,

	investments and treasury management which all are vital to ensuring the council remains in a strong financial position. Joanne Kaye, Head of Finance, 24 December 2025			
Legal	The requirement for the strategy documents stems from: Section 15(1) Local Government Act 2003; Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. As a result, the Council is required to have regard to: Statutory Guidance on Local Government Investments, Statutory Guidance on Minimum Revenue Provision (MRP), CIPFA's Prudential Code and CIPFA's Treasury Management Code Shiraz Sheikh, Monitoring Officer/ AD Law & Governance, 24 December 2025			
Risk Management	It is essential that this report is considered by the Audit Committee as it demonstrates that the risk of not complying with the Council's Treasury Management Policy has been avoided. This and any other risks related to this report will be managed through the service operational risk and escalated to the leadership risk register as and when necessary. Celia Prado-Teeling, Performance Team Leader, 24 December 2025			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact				N/A
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?				N/A
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?				N/A

Climate & Environmental Impact				N/A
ICT & Digital Impact				N/A
Data Impact				N/A
Procurement & subsidy				N/A
Council Priorities	N/A			
Human Resources	N/A			
Property	N/A			
Consultation & Engagement	None			

Supporting Information

3. Background

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

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

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

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

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

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

4. Details

4.1 The draft Capital and Investment Strategy is attached at Appendix 1, and the draft Treasury Management Strategy is attached at Appendix 2.

4.2 The key changes for the Capital and Investment Strategy 2026-27 in comparison to the strategy for 2025-26 are:

- the annual Minimum Revenue Provision statement has been expanded in line with the new statutory guidance; however, the underlying policy and methodology is unchanged. The full statement is included as Annex A of Appendix 1.
- The operational boundary, which is the prudential indicator estimating the maximum level of external debt for the year in the most likely scenario, has been reviewed and reduced from £200m to £199m. More details of this change are included in section A6.2 of appendix 1.

4.3 There have been no significant policy changes to the Treasury Management Strategy. However, Council is asked to approve the Long- Term Investment Limit for 2026/27, as set out in section 1.9.5 of Appendix 2 (Table 7).

5. Alternative Options and Reasons for Rejection

5.1 There are no alternative options to setting a Capital and Investment Strategy and Treasury Management Strategy as these are required for all local authorities.

6 Conclusion and Reasons for Recommendations

6.1 The Council must establish and approve an updated Capital and Investment Strategy and Treasury Management Strategy that complies with CIPFA's revised Prudential Code for Capital Finance in Local Authorities (2021 edition) and Prudential Code Guidance Notes for Practitioners (2021 edition), CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2021 edition) and revised Statutory Guidance on Local Government Investments (Third Edition). Guidance requires the Strategy to be approved by Full Council on an annual basis and, moreover, that any mid-year material changes to the Strategy must also be subject to Full Council approval.

Decision Information

Key Decision	N/A
Subject to Call in	N/A
If not, why not subject to call in	N/A
Ward(s) Affected	All

Document Information

Appendices	
Appendix 1	Capital and Investment Strategy 2026-27
Appendix 2	Treasury Management Strategy 2026-27
Background Papers	None
Reference Papers	None
Report Author	Mary Denedo, Strategic Finance Business Partner
Report Author contact details	Mary.denedo@cherwell-dc.gov.uk, 01295 227941
Corporate Director Approval (unless Corporate Director or Statutory Officer report)	Assistant Director of Finance (S151 Officer) 30 December 2025

This page is intentionally left blank

CAPITAL AND INVESTMENT STRATEGY

2026/2027

Cherwell

DISTRICT COUNCIL
NORTH OXFORDSHIRE

CONTENTS

A. Capital Strategy

A1. Introduction

As part of its annual budgeting cycle, Cherwell District Council proposes a capital programme that sets out the capital expenditure that is expected to take place over the next 5 years. The programme is a series of projects undertaken by service departments for which there has been an identified business need.

Capital expenditure is money spent on acquiring and enhancing non-current assets that are used in the delivery of services and providing economic benefits to the council and its residents.

The council has had, and continues to put forward, an ambitious programme that seeks to deliver on its key corporate priorities as detailed in the 2026-27 Business plan, namely:

- Economic prosperity
- Community leadership
- Environmental stewardship
- Quality housing and place making

The council also incurs capital costs to facilitate the delivery of its support services and smooth running of council functions.

To ensure that the council can deliver upon these priorities, a medium to long-term view is taken of planned capital expenditure to ensure that the programme is prudent, affordable, sustainable, and deliverable.

Owing to the nature of capital spend, there are financial and non-financial factors that need to be evaluated and monitored to ensure council stakeholders and decision makers are kept fully informed, in line with the CIPFA Prudential Code for Capital Finance.

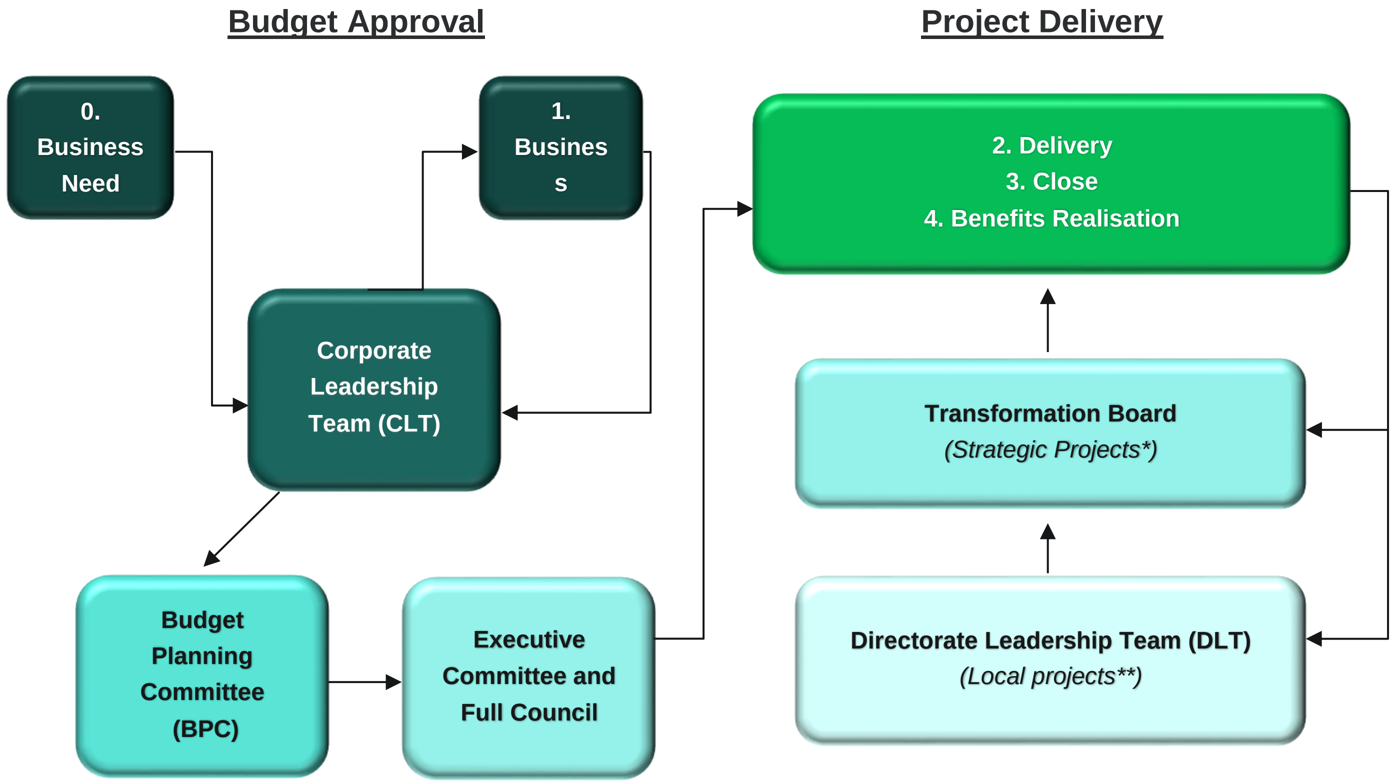
The Prudential Code for Capital Finance sets out that to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in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

A2. Capital Planning, Project Governance and Carbon Impact Assessments

Starting in the Spring of each new budget cycle for the next financial year, service managers are tasked with conceptualising and developing capital proposals that are linked to corporate or service priorities as part of the Budget & Business Planning process.

Responsibility for reviewing and progressing capital proposals is held by the Corporate Leadership Team (CLT), or as delegated as appropriate, alongside the Budget Planning Committee. Approval of capital projects and the capital programme is made by Full Council. Capital projects may occasionally be approved outside of the annual budget cycle in line with the Council's Financial Regulations.

Diagram A2.1: Capital Project Governance Framework

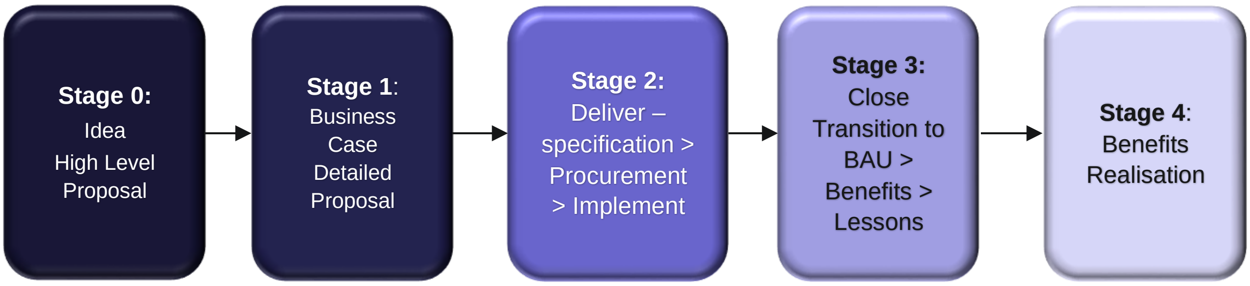


****Strategic Projects*** *are those that are identified to be <u>key to achieving a strategic objective</u> or be underpinned by <u>significant financial investment</u> or result in a change on a <u>significant number of customers and/or staff</u>. A project board will be responsible for appropriate project governance to oversee, ensure and support successful delivery.*

*****Local Projects*** *are important to achieving the Council's strategic objectives, but <u>carry less risk</u> and therefore, responsibility for project governance and oversight will be within the directorate and relevant service area.*

The capital process has five stages which are depicted in the diagram below:

Diagram A2.2: Capital Process



Stage 0 - Business Need – High Level Proposal

Capital proposals first and foremost, must have a demonstrable business need. Officers must put forward rationale for why undertaking a project is necessary, including the corporate priorities it aligns with and a high-level budget outline, estimating both capital and revenue impact and any identified sources of capital funding. Bids are first considered by the Directorate Leadership Team level (DLT) and then by the Corporate Leadership Team (CLT) (or the delegated authority), which takes a decision on progression of the scheme to stage 1.

Stage 1 - Business Case: Detailed Proposal

Progression through stage 1 requires the development of a more detailed business case which should include options for the scheme, ensuring that the council can deliver projects that offer value for money. The business case will include information that will assist officers in appraising the project. Within each option, an analysis of the benefits and drawbacks must be provided, alongside a summary of key risks, a project timeline and more detailed budget proposal. The business case must discuss carbon impact, including the assessment of impact through a Carbon Impact Matrix (further details below) and any stakeholder engagement. CLT will consider business cases and provide feedback to officers, with recommendations made on progression of the project to stage 2. subject to consultation and formal approval by the Executive and Full Council. If the business case requires further work, the project may be paused and reworked for discussion at a future CLT, or postponed. As part of stage 1, finance officers conduct a review of the affordability of the project and prepare revenue budget figures for inclusion in the Medium-Term Financial Strategy (MTFS).

Projects proposed to be included in the Council's capital programme are consulted on externally via public consultation and appraised by the Budget Planning Committee which provides comments to the Executive on the proposals. The Executive then, taking into consideration any comments, propose which schemes to include in the Capital Programme ahead of the final capital programme being presented to Council in February each year. Once approved by Full Council, budgets are uploaded to the financial system and project officers can commence work on the approved schemes.

Capital schemes may occasionally be required to be approved in-year outside of the Business Planning Process, e.g. due to late notification of grant funding award or urgent health and safety works. In-year schemes will be required to have a stage 1 business case completed and signed off by the appropriate officer/body in-line with part 19 of the Council's Constitution.

Stage 2 – Delivery

Approved projects in the capital programme are overseen by project managers that are responsible for delivering projects on time and within budget. This responsibility extends to risk management and escalation of issues to ensure that projects remain on track. Project managers are required to report progress and escalate issues through the Transformation Board for Strategic level projects, and the Directorate Leadership Team for Local Projects. All capital projects and programmes are reviewed quarterly as part of routine budget management, which provides an opportunity to review project costs against budget and escalate potential areas of concern with senior management. The outputs from routine budget management processes feed into the Finance Capital reporting to the Executive, this reporting includes narrative which provides non-financial updates on capital projects.

Stage 3 – Close

When the project has delivered the expected outputs, the project can be closed. At stage 3, the project manager will produce a project closure report that includes a summary of delivery and outputs, a benefits realisation plan, lessons learnt and agreed outstanding actions. The project closure report will be presented to the relevant governance board/group to gain approval to close the project.

Stage 4 - Benefits Realisation

Stage 4 covers benefits realisation. In some cases, projects deliver benefits that can only be measured post closure of the project, the details of which are included in the benefits realisation plan produced at stage 3.

Carbon Impact Assessment and Monitoring

Carbon Impact Assessment

The council recognises that to deliver upon its corporate priority of environmental stewardship, it is essential to consider the carbon impact of its capital investments and include carbon impact as a key factor for appraisal of capital proposals. For 2026-27 the council is implementing a carbon impact assessment whereby a carbon impact score must be completed for all options considered as part of the Stage 1 outline business case. The impact score supports early decision-making by assessing whether council projects are likely to result in high, medium, or low carbon emissions based on a consistent assessment matrix. Officers are provided with an impact assessment procedure document to aid in assessing carbon impact and may also refer to officers in the Biodiversity and Climate Resilience team for support. This will be recorded in the stage 1 business case document and used by those charged with governance for the authority in appraising the project.

Assessment on carbon impact is made using the below criteria:

A.2.3 Carbon Impact Assessment Matrix

Factor	Negative Impact (Red)	Neutral Impact (Amber)	Positive Impact (Green)
Project Type	New construction, major infrastructure	Retrofit with substantial material use	Light refurbishments or routine maintenance
Project Scale	Large projects – over £1 mil	Mid-sized projects - £100k to £1 mil	Small-scale projects – under £100k
Material Use	High-carbon materials (e.g., concrete, steel, aluminium)	Mix of high-carbon and sustainable materials	Primarily low-carbon or recycled materials (e.g., timber)
Energy Source	Fossil fuels (e.g., gas heating, coal-based energy supply)	Mixed energy (some renewables, some grid)	All-electric powered by renewable energy sources
Operational Energy*	High energy demand	Moderate energy demand	Low energy demand
Lifecycle Impacts	High maintenance, significant demolition waste	Moderate maintenance and waste	Minimal maintenance, circular economy reuse potential

The carbon impact score for the option is arrived at by assigning each criteria a rating:

- Red (Negative or High Carbon Impact): 3 points
- Amber (Neutral or Medium Carbon Impact): 2 points
- Green (Positive or Low Carbon Impact): 1 point

The overall impact rating is calculated by summing the points for each criterion. The below score ranges indicate the carbon impact of the scheme:

A.2.4 Carbon Impact Score

Total Score	Overall Impact
15–18 points	Negative Carbon Impact (Red)
10–14 points	Neutral Carbon Impact (Amber)
6–9 points	Positive Carbon Impact (Green)

Use of the carbon impact score is not limited to project appraisal, but also provides an opportunity to influence project planning through:

- Highlighting high-carbon projects for early challenge or re-design
- Helping to identify opportunities to shift to lower-carbon materials, designs, or systems
- Informing funding bids, grant applications, or policy alignment

Carbon Impact Monitoring

At the point of stage 1 in the capital process, carbon impact assessments are an estimate and form part of the project budget setting. It is recognised that projects may evolve with time and that carbon impact scores may alter as projects move through phases. Although still in development at the time of writing, it is expected that project officers will be required to update and report biannually on carbon impact scores. This will form part of the capital project budget management reporting to the Executive.

A3. Capital Expenditure

Regulations

Local Authorities operate under a capital prudential framework and under a statutory legal environment through the Local Government Act 2003.

Expenditure can only be capitalised (i.e., recorded as an asset on the Council's balance sheet) under these regulations, if the spend is incurred in:

- Acquiring, constructing, or enhancing physical or intangible assets, such as land, buildings, plant, vehicles, and equipment
- Acquiring share capital in a third party
- Advancing a loan to a third party that would be for capital purposes if incurred by the council
- Granting of funds to a third party which is to be used for a capital purpose
- Purchasing or enhancing assets from which the council does not have the legal right to economic or service benefits from but would otherwise be capital if the council had those rights (Revenue Expenditure Funded by Capital Under Statute).

As part of the capital governance and approval process outlined in section A2, projects are appraised on whether proposed expenditure falls into the above categories. Proposed expenditure that does not meet capitalisation regulations as determined by the Capital Accountant and/or S151 Officer, is then considered as a potential revenue pressure as part of the revenue budget setting process.

Expenditure on assets that are capital in nature and in the same class, but do not aggregately meet the council's capital de minimis threshold of £10,000, are normally charged as a revenue expense. Occasionally the council may be required to capitalise expenditure below this threshold in order to comply with grant conditions.

Project officers are provided with guidance that outlines the requirement for expenditure being treated as capital. The below table demonstrates how the council typically treats expenditure that are related to capital projects:

Table A3.1: Accounting Treatment of Project Expenditure*

Expenditure Type	Accounting Treatment
Feasibility Studies	Revenue Expense
Options Appraisal	Revenue Expense - expenditure incurred on the option that is proceeded with *may* be capitalised e.g., if three options are appraised, 1/3 of the cost may be capitalised
Internal Staff Costs	Revenue unless a direct contribution is made to the progressing of the creation, acquisition, or enhancement of an asset. Officers are required to evidence time spent on projects which is signed off by a senior manager or assistant director. Where time is not recorded,

	costs can still be capitalised provided a reasonable estimate can be made of time spent on the project.
Interest Costs on Prudential Borrowing	Revenue Expense
Design, Architect and Engineer Costs	Capital Expense
Contractors Costs	Capital Expense
Legal Fees	Capital Expense (except in relation to conveying the sale of an asset)

**This is not an exhaustive list of expenditure types*

It is therefore vital that project officers correctly classify spend for revenue and capital purposes to avoid unforeseen budget pressures. Aborted projects which no longer meet capitalisation requirements are subsequently charged to revenue.

Capital Programme

The council has a sizeable capital budget with committed spend of £31m across the programme. Projects already in the existing capital programme, prior to the inclusion of 2026/27 proposals, include:

- Purchase of Temporary Accommodation - £3.0m
- Self-contained Temporary Accommodation units - £2.0m
- Disabled Facilities Grants - £8.1m
- Vehicle Replacement Programme - £4.3m

All projects exist to further the Council's delivery against its corporate objectives or to improve service delivery and council operations. A summary of planned capital spend in accordance with the corporate objectives is outlined in table A3.2 below:

Table A3.2a: Capital Programme across Corporate Priorities in £m

Corporate Priority	2024/25 Actual	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2029/30 Budget
Community Leadership	1.3	1.2	3.8	0.0	-	-
Running the Business	5.7	0.5	0.3	0.2	0.4	-
Environmental Stewardship	0.7	2.1	2.3	1.3	1.1	1.1
Quality Housing and Place Making	4.8	3.0	7.0	1.5	1.5	1.5
Economic Prosperity	1.3	0.7	3.6	3.4	-	-
Total Capital Expenditure*	**13.8**	**7.4**	**17.0**	**6.5**	**3.0**	**2.6**

**Not including pipeline projects for which business cases are yet to be approved and/or funding has not yet been received*

As part of the 2026/27 budget setting process, Full Council is requested to approve additions to the capital programme to further progress against corporate objectives. For 2026/27 the following projects are proposed to be added to the programme:

Table A3.2b: Additions to the Capital Programme requested as part of Budget Setting 2026/27 in £m

Project	2026/27	2027/28	2028/29	Total
Bicester Leisure Centre 3G resurfacing	0.2	-	-	**0.2**
EPC Remedial & Improvement Works	0.1	0.2	0.4	**0.7**
Refurbishment Works to Canal Side Entrance to Castle Quay Centre	0.1	-	-	**0.1**
Replacement of lifts and the Refurbishment Works to Castle Quay Centre South Car Park	0.5	-	-	**0.5**
Franklins House Waterproof Membrane & Equipment	0.1	-	-	**0.1**
Laptop Refresh	0.1	0.1	-	**0.1**
Total Asset Management 2026/27	**1.1**	**0.2**	**0.4**	**1.7**
NOA 3G Pitch Development**	1.5	-	-	**1.5**
Self-contained Temporary Accommodation Units – Bicester	2.0	-	-	**2.0**
Purchase of Temporary Accommodation	3.0	-	-	**3.0**
Total Investments 2026/27	**6.5**	**-**	**-**	**6.5**
Total Capital Programme Additions 2026/27	**7.6**	**0.2**	**0.4**	**8.2**

*** Denotes movement of the North Oxfordshire 3G pitch project from pipeline into the main capital programme*

The council also has projects in the pipeline which are being planned but for which there are outstanding actions that do not currently facilitate progress into the active capital programme. Pipelined projects include the development and construction of the Waste Services New Depot in Bicester and the Bicester Leisure Centre Learner Pool, which is pending receipt of S106 funding and business case approval. Various other S106 projects are also awaiting fully scoped and approved project plans before approval into the capital programme can be sought and received.

A4. Capital Financing and Affordability

Financing the Capital Programme

Capital expenditure included in the capital programme is financed from various sources – these sources can either be external (from third party contributions such as grants and Section 106 contributions) or internal (making use of reserves and capital receipts). Borrowing may be used as a temporary source of finance – as such the council may borrow externally within the prudential framework to acquire and enhance assets, including lease arrangements under IFRS16. Alternatively, it can borrow internally, making use of cash balances it holds in advance of expenditure to temporarily finance its capital spend. Internal borrowing is usually the preferred route - where possible - as interest payable on external borrowing is typically higher than interest receivable on surplus cash balances. A reduction in interest receivable will therefore be outweighed by the cost avoidance benefit in not borrowing externally. More information on this can be found in the Council’s Treasury Management Strategy.

Borrowing results in an increase to the Council’s Capital Financing Requirement (CFR) which needs to be carefully managed. Table A4.1 shows the expected use of receipts and the effects on the council’s need to utilise borrowing as a temporary source of finance:

Table A4.1: Sources of Capital Finance

Financing Source	2024/25 Actual	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2029/30 Budget
Capital Expenditure	**13.8**	**7.4**	**17.0**	**6.5**	**3.0**	**2.6**
Capital Receipts	(1.6)	0.0	(1.8)	(5.1)	0.0	0.0
Grant	(6.4)	(4.3)	(3.4)	(5.0)	(1.5)	(1.5)
S106 Grants	(0.8)	(0.8)	(2.0)	0.0	0.0	0.0
Revenue Contributions	(0.1)	0.0	0.0	0.0	0.0	0.0
Donated Assets	(0.3)	0.0	0.0	0.0	0.0	0.0
Total Financing	**(9.1)**	**(5.1)**	**(7.3)**	**(10.1)**	**(1.5)**	**(1.5)**
Increase/(Decrease) in CFR *(before MRP)*	**4.7**	**2.3**	**9.7**	**(3.7)**	**1.5**	**1.1**

**Figures may not match between tables due to rounding.*

Capital receipts are a permanent source of finance i.e., it is funding the council controls and does not have to repay. Capital receipts typically arise from the disposal of a non-current asset. Examples of capital receipts include:

- Proceeds from the sale of land or a building
- Repayment of a capital loan from a borrowing entity
- Disposal of a financial interest in a capital asset, such as a re-sale covenant on a house

Once received, capital receipts can be used to finance new capital expenditure or applied to existing expenditure to reduce the council's need to borrow. The council's default position is to apply capital receipts arising from disposal of assets to the Capital Adjustment Account to reduce debt in the year of receipt. This reduces the Council's need to borrow and corresponding financing costs, which helps to reduce the capital financing burden on the taxpayer. This does not prevent the council from introducing new capital proposals but does ensure that the financial implications of each proposal are fully considered and understood. Application of capital receipts falls under the delegation of the S151 Officer as per the Council's Reserves Policy. Capital receipts may also be used to fund certain revenue costs that deliver ongoing savings or efficiencies under the flexible use of capital receipts direction as laid out by the Ministry of Housing, Communities and Local Government. The council does not currently have plans to use this flexibility, however if the S151 officer feels there would be a benefit to using this direction then a proposed strategy will be brought to Full Council to approve in line with the guidance.

Capital grants are generally received for a specific expenditure purpose and are recognised as a council resource when reasonable assurance has been received that the council will meet any conditions attached to the use of the funds. Capital grants are used for financing in the financial year the spend is incurred, with unspent balances transferred to capital reserves which can be used to finance spend in future years.

To finance capital expenditure that has no permanent source of finance such as capital receipts or grants, and that has utilised borrowing as a temporary source of finance, revenue resource must be provided for over the lifetime of the underlying asset or enhancement made. This is known as the Minimum Revenue Provision (MRP) and is a statutory requirement for councils that have utilised prudential borrowing. MRP is provided for annually and acts to reduce the council's need to borrow money, i.e., its CFR. The MRP charge must demonstrate prudence and be made with due regard to statutory guidance published by central government. The Council's MRP statement can be found in Annex A to this document. The Council's MRP forecast is outlined in table A4.2.

Table A4.2: Minimum Revenue Provision Forecast

MRP (£m)	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Minimum Revenue Provision (MRP)	(4.1)	(4.2)	(4.7)	(4.6)	(4.9)	(5.1)

Capital Financing Requirement

The level of capital expenditure not yet permanently financed is measured through the Capital Financing Requirement (CFR). The CFR indicates the extent to which the council has needed to borrow (incur debt) and is calculated by taking the Council's total spend for capital purposes and deducting capital grants, receipts and revenue resource applied against the expenditure. Forecasting the CFR is a vital part of revenue budget management as it determines the level of prudent MRP.

Table A4.3: Capital Financing Requirement Actuals and Estimates

CFR (£m)	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
CFR	235.5	233.6	238.6	230.4	227.0	222.9

A5. Treasury Management and Prudential Borrowing

Prudential Borrowing

The council as a local authority can borrow for purposes that comply with the CIPFA Prudential Code for Capital Finance. As part of this capital strategy a series of indicators are provided to help demonstrate that borrowing is incurred in-line with the Prudential Code. Prudential indicators are provided in section A6 of this strategy.

Under the revised code, the council *cannot* borrow for commercial purposes i.e., make capital investments primarily for financial return. The council takes decisions on its capital programme with the fundamental principle that the capital project must deliver against corporate priorities as its primary objective. The council will therefore comply with this requirement.

Treasury Management

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

Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The council typically has surplus cash in the short-term as revenue income is received before it is spent and has borrowed cash for the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital borrowing requirements to reduce overall borrowing. At 30 November 2025 the Council had borrowings of £149m at an average interest rate of 2.82%, and

£27m of investments at an average interest rate of 4.15%. The borrowing position is reported regularly to Accounts, Audit & Risk Committee as part of the Treasury Management reports.

Borrowing Strategy

The Council's main objective when borrowing is to achieve a low but certain cost of finance while retaining flexibility should plans change in future. To meet this objective the council must review the current market conditions alongside the long-term forecasts from its treasury advisors to determine how to structure borrowings. Short term loans, which usually have lower interest rates and offer excellent flexibility, are suitable for stable market conditions or when interest rates are forecast to fall. Medium to long term loans offer a certain cost of finance but are generally more expensive and inflexible. The council must therefore seek to strike a balance between short and medium to long term loans, to meet its objectives, by anticipating both its borrowing need and the forecast interest rates.

A6. Prudential Indicators

Under the Prudential Code, the council is required to ensure that all capital expenditure, investments and borrowing decisions are prudent and sustainable. In doing so the council must take into account arrangements for the repayment of debt (including through MRP) and consideration of risk, and the impact and potential impact on the council's overall fiscal sustainability.

A series of prudential indicators are set each year as part of the Capital Strategy to demonstrate that the council has due consideration of these factors when determining its capital programme.

A6.1 Debt and the CFR

The council can only borrow to support a capital purpose, and borrowing should not be undertaken for revenue or speculative purposes. The council should ensure that gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and the next two financial years.
Projected levels of the Council's total outstanding debt (which comprises borrowing and leases) are shown below, compared with the capital financing requirement (see table A4.3)

Table A6.1: ***Debt vs CFR (£m)***	**2024/25 actual**	**2025/26 forecast**	**2026/27 forecast**	**2027/28 forecast**	**2028/29 forecast**
Gross Borrowing (incl. PFI & leases)	165.0	149.0	155.4	155.8	156.2
Capital Financing Requirement	235.5	233.6	238.6	230.4	227.0

As per the table, the council expects that its gross borrowing will not exceed its CFR across the MTFS period.

A6.2 Borrowing Boundaries and Limits

The council is legally obliged to determine and keep under review an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" based on the council's estimate of the maximum level of external debt in the most likely scenario is also set. The operational boundary reflects the level above which the council does not expect to require borrowing based on current cashflow projections and capital programme, and so acts as a warning level should there be a sustained or regular trend of external debt above the boundary. The operational boundary and authorised limit set by the council are outlined in table A6.2 below:

Table A6.2: ***Operational Boundary vs Authorised Limit (£m)***	**2025/26 limit**	**2026/27 limit**	**2027/28 limit**	**2028/29 limit**
Operational boundary	200.0	199.0	198.0	197.0
Authorised limit	310.0	270.0	265.0	260.0

The council has reviewed its approach to setting the operational boundary and has adopted an expected value approach to commitments (such as bonds, guarantees, revolving credit facilities) that are unlikely to materialise in the financial year. Instead of including the total potential liability in the worst case, as the previous approach had, the council estimates the likelihood of the commitment being called upon and the likely amount. An amount based on this assessment is included in the operational boundary to reflect that while it is very unlikely that all of these commitments be called upon in full, there is a likelihood that on average across all the commitments there may be some impact on the council's cashflows. This change to the operational boundary also does not change the council's ability to borrow. It is the most likely maximum level of borrowing based on the council's current capital programme and forecast cashflows. All future capital proposals will be considered on a case-by-case basis, and the operational boundary will be reviewed each year to ensure it includes any borrowing required for new capital projects. The authorised limit has been reduced so that it continues to be an effective control measure. The authorised limit has been set to cover all external debt requiring to be refinanced, internal borrowing becoming unavailable and all possible loans and bonds and guarantees being called upon simultaneously.

A6.3 Financing Cost to Net Revenue Stream

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue. Together these are referred to as financing costs and it is useful to compare this to the net revenue stream, i.e., the amount funded from Council Tax, business rates and general Government grants, to determine that capital financing costs are proportionate and affordable.

Table A6.3: ***Financing Costs to Net Revenue Stream (£m)***	**2024/25 actual**	**2025/26 forecast**	**2026/27 forecast**	**2027/28 forecast**	**2028/29 forecast**
Interest Payable	4.6	4.9	4.4	4.6	4.9
Minimum Revenue Provision	4.1	4.2	4.7	4.6	4.9
Total Financing Costs	**8.7**	**9.1**	**9.1**	**9.2**	**9.8**
Taxation	27.2	26.2	32.1	31.6	32.1
Non-Specific Grant Income	3.5	3.7	0.0	0.0	0.0
Total Funding	**30.7**	**29.9**	**32.1**	**31.6**	**32.1**
Ratio of Financing Costs	**28.3%**	**30.5%**	**28.4%**	**29.2%**	**30.5%**

This indicator shows that the ratio of financing costs to net revenue streams is high and increasing across the MTFS, which is primarily due to the forecast in reduction in revenue resources. What this ratio doesn't consider is that a large proportion of the Council's financing costs are offset by the interest from on-lending to the Council's subsidiaries, and income generated by assets acquired as part of the Council's regeneration programme. This "non-treasury investment" income is not included in the net revenue stream as it does not form part of the Council's core funding but is nonetheless a key resource for the council.

A6.4 Net Income from Service Investment Income to Net Revenue Stream

This Indicator shows the financial exposure of the authority to the loss of its non-treasury investment income, i.e., income from financial investments (e.g., share and loan capital in council subsidiaries) and income from property assets:

Table A6.4: ***Ratio of Service Investment Income to Net Revenue Stream (£m)***	**2024/25 actual**	**2025/26 forecast**	**2026/27 forecast**	**2027/28 forecast**	**2028/29 forecast**
Net Income from Financial Investments	4.4	4.0	4.0	4.0	4.0
Net Income from Property Assets	5.3	4.6	5.5	5.5	5.5
Total Service Investment Income	**9.7**	**8.6**	**9.5**	**9.5**	**9.5**
Taxation	27.2	26.2	32.1	31.6	32.1
Non-Specific Grant Income	3.5	3.7	0.0	0.0	0.0
Total Funding	**30.7**	**29.9**	**32.1**	**31.6**	**32.1**
Ratio of Service Investment Income	**31.6%**	**28.9%**	**29.5%**	**29.9%**	**29.6%**

Investment income represents a significant proportion of the net revenue stream and therefore the risks around loss of this income should be monitored closely. The council conducts regular reviews of projected levels of income as part of monthly budget management and provides regular updates to senior management via performance and aged debt reporting. Risks associated with income loss can therefore be identified early and plans can be implemented to mitigate the impact so the council can continue to deliver a balanced budget.

Whilst financing costs are high, the overall picture is incomplete without factoring the contribution investment income makes towards these costs. Deducting the ratio of net income from Service Investments from the Ratio of Financing costs reveals the affordability ratio, which demonstrates the net revenue impact to the taxpayer as a result of the Council's capital investment decisions.

A6.5 Affordability Ratio

There is no established Local Authorities benchmark for this ratio as activities differ significantly. Interest earned on Treasury investment is not considered in either of the calculations and therefore it is not unexpected to see a positive percentage when the two are netted off against each other.

The affordability ratio shows that after taking into account the income relating to the capital expenditure that is being financed the council has an affordable net cost of capital financing:

Table A6.5: ***Affordability Ratio***	**2024/25 Actual**	**2025/26 forecast**	**2026/27 budget**	**2027/28 budget**	**2028/29 budget**
Ratio of Financing costs	28.3%	30.5%	28.4%	29.2%	30.5%
Ratio of Service Investment income	31.6%	28.9%	29.5%	29.9%	29.6%
Affordability ratio	**-3.3%**	**1.6%**	**-1.1%**	**-0.8%**	**0.9%**

The Section 151 Officer is satisfied that the proposed capital programme is prudent, affordable, and sustainable.

The council will continue to monitor this ratio and report to senior management and members via its regular Treasury Management review. Should the affordability ratio move adversely, the council will need to review whether this is sustainable and what actions may be required to mitigate the impact to the taxpayer as part of its budget management and Medium-Term Financial Strategy.

A7. Capital Health

To get an indication of the Council's overall capital health, it is useful to examine the ratio of the CFR to the Council's total long-term asset value to determine the extent to which the council's assets could clear its debt through asset disposals, if necessary.

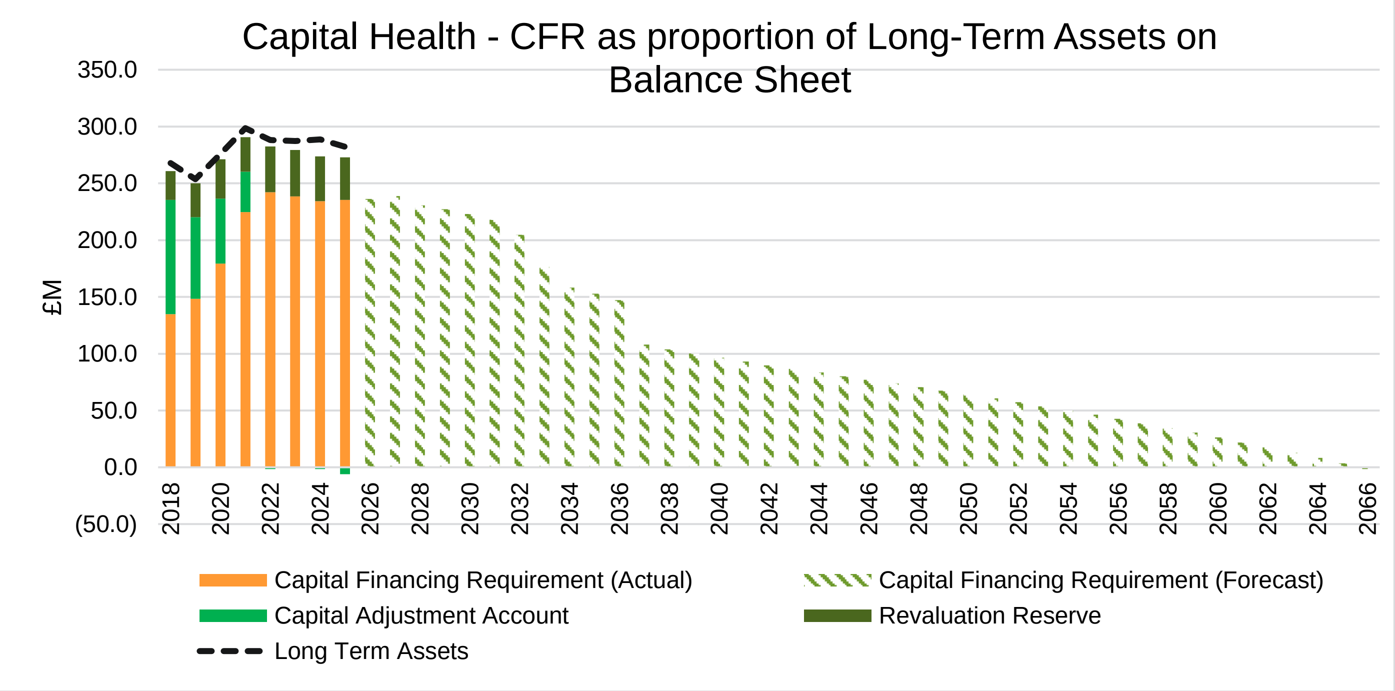
Table A7.1 – Capital Health in £ millions

Capital Health (£m)	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Capital Financing Requirement	134.9	148.2	179.2	224.8	242.1	238.6	234.4	235.5
Long-Term Assets *(as per statement of accounts)*	267.8	253.6	275.8	298.6	288.2	288.8	290.7	282.1
CFR to Long-Term Asset Ratio	**50%**	**58%**	**65%**	**75%**	**84%**	**83%**	**81%**	**84%**

As of 31st March 2025, the Council's CFR amounted to 84% percent of the value of its total capital worth (Long-term asset value), demonstrating that the Council's total capital worth exceeds its borrowing requirement. It should be noted that under the CIPFA code, assets can be capitalised on balance sheet based on the long-term service potential they provide and not necessarily the economic value they generate on sale, particularly assets held at historical cost e.g. intangible assets. The CFR to Long-Term asset ratio should therefore only be treated as an indicator of capital health.

Figure A7.2 demonstrates how this has changed since the council began borrowing to fund its capital programme and includes a forecast of the Council's CFR up to 2066 based on the current 5-year capital programme and no future additions to this.

Figure A7.2– Capital Health: CFR as proportion of Long-Term Assets



The Council's capital assets are comprised of fixed assets, such as property, and financial assets, such as loan and share capital. Fixed assets and long-term financial assets are less liquid than treasury management investments, as loans and share capital have contractual arrangements and agreed repayment profiles in place, whilst property is utilised in the delivery of corporate priorities. It is important that the council continues to monitor the repayment profiles of loans and valuation of its property assets to ensure that the council can cover its debt obligations through asset sales if required to do so (e.g. in the unlikely event that PWLB refinancing of loans becomes unavailable).

Based on current forecasts, the CFR is expected to be cleared by 2066. This is mainly due to the annual minimum revenue provision set aside by the council and principal repayment of capital loans and share capital investments, which are to be treated as capital receipts and are expected to be used to clear the outstanding CFR balances associated with these assets. The council continues to ensure that wherever possible, new capital projects are fully funded by capital grants, capital receipts or S106 receipts, keeping additional borrowing requirements to a minimum level and on projects whether there is a demonstrable business need or statutory duty.

A8. Asset Management and Commercial Risk

Asset Management

To ensure that capital assets continue to be of long-term use, the council is in the process of preparing a revised Asset Review, where the purpose of each asset held, is challenged, and these properties will be underpinned by policy documents which detail how each category of property is managed. This is a multi-level approach structured as follows:

- At a property level this will comprise of the preparation of an asset management plan which are then subject to periodic review and updating. This process is ongoing and informs the property strategy as a whole.

- At a tenancy level the Comprehensive Asset Register (a database of key lease events) is being updated and used to identify forthcoming lease events such as expiries, rent reviews and breaks. These are allocated to specific Property Managers to progress whose work schedules are reviewed periodically.

When a capital asset is no longer needed, it may be sold to generate a capital receipt. Receipts from capital grants, loan repayments and investments are also classed as capital receipts under Local Government accounting regulations.

Commercial Risk

To drive leadership of place within Cherwell, stimulate growth, pursue economic regeneration and to generate income to support the revenue activity, the council holds commercial property assets that are subject to commercial risks. The council continues to make investments in enhancing and adapting these assets to ensure they remain fit for purpose and to maximise their service and economic potential in what has been a turbulent financial environment for commercial property nationwide in recent years.

The council recognises that the investments made in commercial property are higher risk than treasury investments. The principal risk exposures are listed below in table A8.1 together with an outline of how those risks are managed:

Table A8.1 – Commercial Risk Management

Illiquidity	The council acknowledges illiquidity as a risk in property and whilst it cannot be avoided the risk is mitigated by the following strategies: a) The council invests across a range of sectors and its assets are diversified in terms of lot size. b) Some of the Council's investments are not what is termed 'Investment Grade', but they are fundable – i.e., if sold they could be suitable for debt backed investors. c) The Council's assets are uncharged. It is often lenders who require assets to be sold and whilst gearing does not increase illiquidity per se, it can expose an owner to greater risk of selling an illiquid asset at an inopportune time.
Tenant default	The council's portfolio includes both large national concerns, small local businesses (mainly retail or industrial type tenants) and individuals (such as housing tenants). Tenant default risk is managed in two ways: a) Tenants are vetted when entering the portfolio either as new tenants when property is let or as replacement tenants when existing tenants assign their leases. It must be acknowledged that there is less control when a tenant applies for consent to assign, though guarantees may be sought. b) Risk is managed by diversification as only a small proportion of tenants may be expected to fail in any given year. c) A policy contingency budget is held within the Council's annual revenue budget alongside a market risk earmarked reserve which could be made available to meet a shortfall in income that may arise in year due to tenant defaults.
Obsolescence	A significant proportion of the Council's portfolio comprises industrial / warehouse buildings and retail assets which have relatively low obsolescence compared to office premises. This is because offices in general require significant investment to maintain the landlords fit out specification in line with market demands. Where matters of council policy override commercial concerns, the Council's portfolio is more vulnerable. E.g., where significant outlay may be required on plant and machinery at the end of their useful economic lives. This will be considered in the Asset Management plan for each asset.
Capital expenditure	Please see above but also note that the council aims to let space on Full Repairing terms which makes the tenant either explicitly responsible for maintaining the asset or allows CDC to recover the cost of repairs through the service charge provisions of the relevant lease.

Market risk	Two key market risks are falling rents in response to declining economic conditions and extended marketing voids when leases end or tenants fail. These risks are mitigated in three main ways: 1. Lease lengths should be 3 – 5 years + which obviates most market risks during the period of the tenancy. 2. Longer leases which contain regular rent review provisions normally require the rents to be reviewed in an upwards only direction. The English Devolution and Community Empowerment Bill which, currently making its way through Parliament includes a provision that would prohibit the use of upward-only rent review clauses in new commercial leases. Older leases would be unaffected. Lease lengths are generally reducing in length to which will help mitigate some of the impact. 3. Tenant failure – see above under Tenant Default, re: vetting and diversification policies plus earmarked reserves held. A further risk is commercial leases with capped service charges meaning the landlord is not able to recover the full amount relating to leased space. The council has a limited number of leases with these clauses and does not routinely agree them unless there is a commercial imperative. An additional risk is over-exposure to town centre retailing as the portfolio's largest assets are the Castle Quay Centre and Waterside in Banbury as well as Pioneer Square in Bicester. The risks arising from these investments will be managed as part of the Strategic Asset Management plan and Asset Actions Plans for each asset.
Returns eroded by inflation	Most properties are let on lease terms which contain upwards only rent reviews and some are indexed linked guaranteeing rental growth. Although in general rental levels lag against inflation (both when rising and falling due to reviews or renewals being generally every 3-5 years) rents are historically considered to be more stable with less fluctuations.
Rising interest rates	Interest rate risks are managed by the Council's Treasury Management function which is supported by professional advisers. The council publishes its approach to interest rate management in its quarterly Treasury Management Report and annual Treasury Management Strategy which should be read in conjunction with this strategy.

Commercial Governance

Decisions on investment in assets with commercial risk are made by Members and Statutory Officers in line with the criteria and limits approved by Full Council in the Investment Strategy. Acquisitions of property are made in-line with strategic priorities of the council, are capital in nature and will therefore form part of the council's capital programme.

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

Further details on commercial investments and limits on their use can be found in the Investment Strategy (Section B of this report).

A9. Knowledge and Skills

The council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Section 151 Officer is a qualified accountant with many years of experience, and several other members of the Finance team are CIPFA members and fully qualified accountants. Senior members of the Property team are registered surveyors with the Royal Institute of Chartered Surveyors (RICS). The council also pays for junior staff to study towards relevant professional qualifications, including CIPFA, to support professional development and team resilience. Where council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field.

B. Investment Strategy

B1. Introduction

The CIPFA Prudential Code for Capital Finance outlines that in the Investment Strategy presented to Full Council each year, it should report on all financial investments of the authority, together with other non-financial investments such as those held for service purposes or for financial return.

Local authority investments (including commercial property) may be categorised in accordance with the primary purpose of the investment. The chief financial officer makes a judgement as to the primary purpose of the investment. For the purposes of this strategy, all investments and investment income must be attributed to the following purposes as per the prudential code:

- 'Investments for **treasury management** purposes' (or treasury management investments) are those investments that arise from the organisation's cash flows or treasury risk management activity, and ultimately represent balances that need to be invested until the cash is required for use in the course of business.

- 'Investments for **service** purposes' (or service investments) are taken or held primarily and directly for the delivery of public services (including housing, regeneration and local infrastructure) or in support of joint working with others to deliver such services.

- 'Investments for **commercial** purposes' (or commercial investments) are taken or held primarily for financial return and are not linked to treasury management activity or directly part of delivering services.

In line with the above definitions, the council invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),

- to support local public services by lending to or buying shares in other organisations, such as subsidiaries and local community groups (**service investments**) and

- to deliver against corporate priorities as detailed in the council's annual business plan (**service investments**)

The council does not invest *primarily* for financial return (commercial purposes) – for the council to do so, it is likely the council would need to incur borrowing. The prudential code does not permit borrowing for commercial purposes.

The council realises the benefits of its investments either through direct delivery towards corporate priorities, or by generating additional income that supports service delivery and the revenue budget.

The below table summarises how each type of investment benefits the council and its residents:

Table B1.1: Investment types and Benefits

Investment	Purpose	Examples	Strategic and Service Benefits	Economic Benefits
Treasury Investments	To manage surplus cash balances held in advance of expenditure	Money Market Funds, with the UK Government via the Debt Management Office (referred to as the DMADF), other Local Authorities and fixed deposits with banks	Effective treasury management – i.e. deposit cash in facilities that are secure, liquid and generate a financial return	Interest received can be used to support day-to-day revenue spend the council incurs in delivering its services.
Service Investment: *Purchasing of Share Capital*	To enable subsidiary companies such as Graven Hill to deliver service objectives and be commercially viable enterprises	Graven Hill, Crown House	The subsidiary is provided financial resource to deliver housing for the district	Investing in subsidiaries can help deliver service objectives that impact the local economy and help to stimulate economic growth e.g., in providing housing, attracting businesses, encouraging private investment in the district. The council may receive a dividend payment from the profits generated that can support revenue spend.
Service Investment: *Advancing of Capital Loans*	Loans are advanced to organisations such as the Council's subsidiaries, local parishes and local charities to support local public services and stimulate local economic growth	Graven Hill, Crown House, Local Charities and other organisations	To enable continual delivery of housing and infrastructure to the local community. To enable local groups to deliver objectives and priorities which align with the Council's.	Advancing loans can enable local organisations to facilitate economic growth. The council receives interest on the loan advances. Loans are repaid to the council on maturity.
Service Investments: *Property*	To help the council to deliver services, meet its corporate priorities and generate income to support its revenue activity	Bicester Depot, Castle Quay, Tramway Industrial Estate	A direct impact is made on the district through strategic place shaping, regeneration, and other forms of service delivery	Property investments support public services and help to attract for local and national businesses, driving economic prosperity. The council can generate income from lettings of space that it does not occupy, e.g., retail, and industrial space.

B2. Treasury Management Investments

The council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and Central Government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to be an average of £23.33m during the 2026/27 financial year.

Full details of the Council's policies and its plan for 2026/27 for treasury management investments are covered in a separate document, the Treasury Management Strategy.

B3. Service Investments: Loans

Contribution
The council lends money to third parties (e.g., its subsidiaries, local parishes, local charities) to support local public services and stimulate local economic growth. The main loans issued are to the council's subsidiaries – the Graven Hill Village companies and Crown House Banbury Ltd. Graven Hill is a housing development providing significant housing in Bicester. Crown House is a redeveloped derelict office building in the centre of Banbury which is providing significant residential rental opportunities in the town centre.

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

Table B3.1: Fair Value of Loans

Category of borrower	2024/25 Actuals			2025/26
(£m)	Balance	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	56.6*	0.6	56.0	73.6
Parishes	0.0	0.0	0.0	0.0
Local charities	0.0	0.0	0.1	0.1
Other	1.0	0.1	0.9	0.9
TOTAL	**57.7**	**0.7**	**56.9**	**74.6**

*In accordance with IFRS9 the fair value of the loan provided to Crown House has been revised. The loan is at a non-market rate of interest and has therefore been discounted using an effective interest rate of 5%, which the directors consider to be an appropriate market rate. The difference between the cash advanced and the present value of the loan has been treated as an investment in the Company.

Accounting standards (IFRS 9) require the council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts are shown net of this loss allowance. The council, however, makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk Assessment
The council assesses the risk of loss before entering into and whilst holding service loans by approaching each loan request individually. The bulk of the council's loans are to its subsidiaries. When the council considers whether or not to create or acquire a subsidiary a full business case is prepared which sets out the optimal financing of the company. This will include an assessment of the market in which it will be competing, the nature and level of competition, how that market may evolve over time, exit strategy and any ongoing investment requirements. External advisors are

used where appropriate to complement officer expertise and second opinions from alternate advisors is sought in order to monitor and maintain the quality of advice provided by external advisors.

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

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

B4. Service Investments: Share Capital

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

One of the risks of investing in shares is that the initial outlay may not be recovered. To limit this risk, upper limits on the sum invested in each category of shares are set as part of the Investment strategy. Share capital has increased from £35.7m due to the adjustment to the fair value of the loan to Crown house (in accordance with IFRS9.) The difference of £9.5m between the cash advanced and the present value of the loan has been treated as an investment in the Company. Table B4.1 below shows the most recent values and the limit.

Table B4.1: Fair Value of Share Capital Investments

Category of company	31st March 2025 actual			2026/27
	Amounts invested	Gains or losses	Value in accounts	Approved Limit

Subsidiaries	45.2	0	45.2	45.2
TOTAL	**45.2**	**0**	**45.2**	**45.2**

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

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

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

B5. Service Investments: Property

The council invests in local property in two ways: by acquiring new assets and by enhancing existing assets to help provide and meet the needs of its residents and businesses. The Capital Programme includes significant investment over the next five years, which includes:

- Transforming Bicester Market Square
- Purchasing of temporary accommodation units
- Construction of self-contained modular temporary accommodation units
- Public sector decarbonisation works to council owned or operated properties (funded by PSDS 4 grants)
- Installation of solar panels and solar photovoltaic car ports at the Council's leisure and community centres

The council also continues to hold strategic assets that have received significant investment in recent years to regenerate town centres and generate income for the council, the largest of which include,

- Castle Quay Centre and Waterfront, Banbury;
- Pioneer Square, Bicester;
- Tramway Industrial Estate; Banbury.
- Town Centre House, Banbury

Security

Under the statutory guidance on investments published by Central Government, the council should evaluate the security of its investments by conducting a fair value assessment against the capital invested. A fair value assessment is possible for assets held at fair value, i.e. properties valued annually as investment property (IAS 40 as adapted by the CIPFA code) or operational assets valued under Existing Use Value (EUV) where there is an active market for these types of assets.

Under the CIPFA code, operational assets are valued under the Existing Use Value approach. Existing Use valuations are conducted on assets that have service benefits, such as in provision of housing or in the delivery of regeneration objectives. Existing Use (EUV) valuations may in some circumstances be lower than Market Value due to EUV disregarding potential alternative uses of the asset. An assessment of the security of these assets is therefore made against valuations in Existing Use where Market Value is unavailable. Table B5.1 shows the latest fair value assessments of the council's high value strategic investments made in recent years:

Table B5.1: Fair Value of High Value Investments in the Council's Strategic Assets

Asset Name	Investment Cost (£m)	Book Value *31/03/2024* (£m)	Movement in Book Value (Revaluation + Depreciation) (£m)	Book Value *31/03/2025* (£m)	Gains/ (Losses) in Book Value Recognised in Accounts (£m)	Latest External Valuation Date
Castle Quay Waterfront, Hotel and Supermarket	68.3	25.7	(2.9)	22.8	(45.5)	31/03/2025
Castle Quay Shopping Centre (incl. CDC Offices)	69.9	14.4	(0.7)	13.6	(56.3)	31/03/2025
Tramway Industrial Estate	9.6	9.0	0.2	9.2	(0.4)	31/03/2025
Pioneer Square	8.2	5.3	(0.1)	5.3	(2.9)	31/03/2024
Totals	**156.0**	**54.4**	**(3.5)**	**50.9**	**(105.1)**	

The decline in book values have been driven by multiple factors, particularly the changing nature of town centres and the retail market nationwide.

Book gains and losses are recognised in the Council's statutory accounts to reflect fluctuations in asset values and represent a snapshot of the Council's financial position as at a balance sheet date. Cash movements against the original capital investment are therefore not realised until an asset is disposed of.

The council recognises that property valuations are important. In the long term, valuations generally increase as a factor of the economy. With careful management of assets and lets, the council anticipates that, over time, income rental yields will improve and be reflected in the valuations. Notwithstanding, the council continues to realise property investment benefits through other non-financial factors such as regeneration and place shaping, and through revenue receipts which will help finance the capital investment.

Whilst strategically important, property valuations do not have a direct impact on the council's day-to-day financial standing. The council has prudently budgeted for the debt servicing costs on these investments and continues to receive income from the assets to support the financing of the investments. Many of the assets are long-term for the council, with current and future service benefits that also need to be taken into consideration in evaluation of the investment. As detailed in section A6 of the capital strategy, the council deems its capital investment plans to be affordable, prudent, and sustainable.

The Council's strategic asset review is still in progress, and whilst no firm decisions have been made, action is being taken to identify ways to maximise the economic and service benefits from the Council's property. Repurposing of space is a key factor the council is considering for its assets. For example, the repurposing of retail units to office space as part of the council office relocation to Castle Quay project which completed in March 2025. Following the move to Castle Quay, it is expected that the Council's current headquarters Bodicote House will be sold to generate a capital receipt. As discussed in section A4 of the Capital Strategy, standard practice is for capital receipts to be used to reduce the Council's existing debt (the CFR).

By reconsidering asset use, and repurposing space to maximise service and economic benefits delivered by property assets, the council anticipates that the corresponding valuations will increase in the future. Valuations will, however, depend on market sentiment and national economic conditions.

It should be noted that the security of investment is not only considered through annual fair value assessment. Assets that generate income to the council contribute to the overall business case and therefore whilst capital values may fluctuate, income generated from property assets may be considered secure in accordance with the lease terms granted, tenant performance, and asset obsolescence.

Risk assessment

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

The property investment market is dynamic, and the council is kept abreast of developments by frequent communication and established relationships with local and national agents, supplemented by in-house investigations and reading of published research. The Council's focus is on assets that are local and help to deliver the strategic aims of the council.

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

The council uses a number of local and national advisors and cross reference their views periodically. There is no single party or firm which expects to be instructed by the council without competition.

Credit ratings are used on acquisitions, new lettings and when tenants request consent to assign their leases. The council uses D&B ratings as well as reviewing the published accounts of tenants or potential tenants.

A number of other strategies are used to mitigate risk:

- Tenant rent payment histories are analysed on any acquisition.
- Tenant rent payment patterns and arrears are examined in the existing portfolio.
- Introducing agents advise the council throughout the acquisition process and their advice includes market commentary at a national and a local level and commentary on perceived risks
- In tandem with the above every acquisition is subject to a third-party RICS Red Book valuation by qualified surveyors who are independent i.e., not acting for the council or the vendor on the acquisition.
- Performance of due diligence enquiries about potential incoming tenants and occupiers.
- Use of mechanisms such as rent deposits and guarantees to reduce risk.

Liquidity

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

- The council invests across a diverse range of sectors and lot sizes. This affords the council the ability to access a range of purchaser types e.g., small local investors, listed property companies or institutions.

- The council does not invest in high-risk assets which can be the most illiquid of all other than for the purposes of delivering regeneration which has a different investment objective from pure revenue or capital return.

- Some of the Council's investments are not what is termed 'Investment Grade', but they are fundable – i.e., if sold they could be suitable for debt backed investors

- The council does not invest in specialist properties (other than those that are for service purposes, such as community centres), where the market tends to be most illiquid.

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

The Council's plans do not require the sale of assets (except in the case of relocating council headquarters to Castle Quay, which requires the sale of Bodicote House to fully finance)

B6. Loan Commitments and Financial Guarantees

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

The council has contractually committed to the following loan, bond, and guarantee amounts:

Table B6.1: Loan Commitments, Bonds and Guarantees

Borrower	Purpose	£m Contractually Available
Graven Hill Village Development Company Ltd	Revolving Credit Facility available to the council's subsidiary until 2026	17.0
Graven Hill Village Development Company Ltd	Bonds and Guarantees in place	1.4
Graven Hill Village Development Company Ltd	Bond and Guarantees agreed in principle	10.3
TOTAL		**28.7**

B7. Capacity, Skills and Culture

Elected members and statutory officers
The senior statutory officers are qualified to degree level and have appropriate professional qualifications. Their shared business experience encompasses both the public, private and third sectors.

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

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

Corporate governance
There are appropriate corporate governance measures in place which comprise end to end decision making procedures. These include risk assessments within the organisation; presentation to relevant committees including Members, statutory officers' approvals, and relevant project boards.

B8. Investment Indicators

The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure resulting from its investment decisions.

Total risk exposure
The first indicator shows the council's total exposure to potential losses in investment book value (i.e. losses not already recognised on balance sheet) which includes amounts the council is contractually committed to lend but have yet to be drawn down and guarantees the council has issued over third-party loans and the council's high value property assets. These risks are managed by the council operating within the Treasury Management, Capital and Investment Strategies and strict governance arrangements around the council subsidiary Companies.

Table B8.1: Total investment exposure in £ millions

Total investment exposure	31/03/2025 Actual	31/03/2026 Forecast	31/03/2027 Forecast
Treasury management investments*	5.2	6.8	10.3
Service investments: Loans**	57.2	57.1	57.0
Service investments: Shares	35.7	35.7	35.7
Service investments: Property***	50.9	52.2	57.5
TOTAL INVESTMENTS	**149.0**	**151.8**	**160.5**
Commitments to lend	17.0	17.0	17.0
Bonds & Guarantees in place and agreed in principle	1.4	11.2	3.1
TOTAL INVESTMENT EXPOSURE	**167.4**	**180.0**	**180.6**

**The investment forecast for 2025/26 is as per the MTFS budget and includes a forecast loan necessary for the Council to maintain its professional client status with its providers of financial services. This figure will differ from table 1.3 in the Treasury Management Strategy, as that only takes loans already committed to, into account.*
***Loans as per the investment funded by borrowing (excluding interest income) as per Table B8.2*
****As per the net book value in Table B5.1 for 2023/24 on high value property investments*

How investments are funded
Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate specific assets with specific liabilities, this guidance is difficult to comply with. However, the following investments could be described as funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

Table B8.2: Investments funded by borrowing in £ millions

Investments funded by borrowing	31/03/2025 Actual	31/03/2026 Forecast	31/03/2027 Forecast
Service investments: Loans	57.2	57.1	57.0
Service investments: Shares	35.7	35.7	35.7
Service investments: Property & Other	170.5	172.8	182.7
Total Funded by Borrowing*	**263.4**	**265.6**	**275.4**
Total Minimum Revenue Provision to-date	(27.8)	(32.0)	(36.7)
Total Debt Remaining (CFR)	**235.6**	**233.6**	**238.6**

**The total funded by borrowing represents the gross expenditure incurred on these types of investments which form part of the Council's CFR. MRP (see Annex A) made to date on these investments has not been included in this total but is included below this figure to arrive at the CFR.*

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

Table B8.3: Investment rate of return (net of all costs)

Investments net rate of return	2024/25 Actual	2025/26 Forecast	2026/27 Forecast
Treasury management investments	6.1%	4.0%	3.5%
Service investments: Loans	6.6%	5.9%	5.9%
Service investments: Property	0.9%	0.1%	0.9%

Treasury management investments are made to deposit cash balances in facilities that offer security, liquidity and a financial return (in that order of priority). Service loan investments are required to be made at a rate of interest that complies with subsidy control regulations, and whilst financial return is not the primary purpose, may generate a higher return than treasury and property investments. The rate of return on property assets represents the return across property service investments in housing, car parks, property bought with regeneration objectives and other property. The council has invested in local housing projects which generate income at a below market rate, e.g., Affordable Housing. It is therefore not unexpected that Property investments may generate a lower return than other forms of investment the council undertakes as set out in this strategy.

Annex A – Annual Minimum Revenue Provision (MRP) Statement

MRP Summary

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

MRP charge is how capital expenditure which has been funded by borrowing is paid for by council taxpayers. Legislation requires local authorities to draw up a statement of their policy on the annual MRP, for full approval by Council before the start of the financial year to which the provision will relate.

The statutory guidance [1] on MRP outlines 4 ready-made options for calculating prudent provision:

- Option 1 – Regulatory Method
- Option 2 – CFR Method
- Option 3 – Asset Life method a and b
  - Option 3a –*Straight Line*
  - Option 3b –*Annuity*
- Option 4 – Depreciation Method

Options 1 and 2 can only be used for capital expenditure incurred prior to 1 April 2008 (supported capital expenditure). These options are therefore unavailable to the council as it has no supported capital balances within its Capital Financing Requirement (CFR).

MRP Statement

The council is recommended to approve the following statement:

- For unsupported capital expenditure incurred on fixed assets after 31st March 2008 and not acquired under a finance leasing arrangement, MRP will be determined using **option 3b (Annuity method)** of the statutory guidance on MRP starting in the *year after* the asset becomes operational.

- MRP on the acquisition of share capital in a subsidiary company will also be calculated using **option 3b** of the statutory guidance.

- For capital expenditure incurred in the advancing of loans to third parties that are delivering service objectives on behalf of the council, such as subsidiary companies, MRP will be charged at an amount equal to any increase in expected credit losses on the loans recognised in the financial year in accordance with IFRS 9.

- Repayments of loan principal on capital loans will be treated as capital receipts and applied to the capital adjustment account to clear any unfinanced capital spend associated with the original loan advancement, reducing the Council’s overall capital financing requirement.

- Capital expenditure incurred on acquiring assets under finance leases will have an MRP charge made equal to the capital rent payment made to reduce the lease liability in year.

- Capital expenditure incurred in 2026/27 will not be subject to an MRP charge until 2027/28 at the earliest.

For **option 3b,** under statutory guidance:

- "*MRP is the principal element for the year of the annuity required to repay over the asset's useful life the amount of capital expenditure financed by borrowing or credit arrangements, using an appropriate rate of interest."* In simpler terms, this is equivalent to the MRP charge matching the capital repayment profile of a mortgage or a finance lease arrangement, with payments taking place over the life of the asset and using an appropriate rate of interest to determine the annual amount.

- Adjustments to the calculation to take account of repayment by other methods during repayment period (e.g., by the application of capital receipts) will be made as necessary.

As external debt balances cannot be directly linked to specific capital expenditure (external debt is a Treasury Management function) the council has determined an *appropriate* interest rate to be the Public Works Loans Board (PWLB) rate available for an annuity-based loan, with a repayment lifetime that matches the estimated useful life of the underlying asset. The PWLB rate used is taken from on the PWLB website [2] and will be the rate available on the first working day of the financial year in which the expenditure is incurred.

Indicative annuity rates used in the Council's MRP calculation are shown below which are then further reduced by 0.2% for use in the MRP calculation, in accordance with the borrowing discount available to Local Authorities:

PWLB Borrowing Rates		***Loan Term/Asset Life***				
Publication Date/Time	***Year***	***10***	***20***	***30***	***40***	***50***
01/04/2025 09:02:20	2025/26	5.19%	5.72%	6.06%	6.16%	6.13%
02/04/2024 09:04:00	2024/25	4.88%	5.10%	5.41%	5.48%	5.45%
03/04/2023 09:15:48	2023/24	4.49%	4.60%	4.86%	4.89%	4.82%
01/04/2022 12:19:13	2022/23	2.50%	2.69%	2.85%	2.86%	2.80%
01/04/2021 09:08:50	2021/22	1.43%	1.97%	2.28%	2.41%	2.42%
01/04/2020 12:28:08	2020/21	2.13%	2.32%	2.60%	2.76%	2.77%
01/04/2019 12:13:33	2019/20	1.74%	2.09%	2.44%	2.60%	2.59%
03/04/2018 12:15:35	2018/19	2.07%	2.46%	2.67%	2.75%	2.72%
03/04/2017 12:15:31	2017/18	1.49%	2.18%	2.62%	2.80%	2.78%
01/04/2016 12:15:18	2016/17	1.86%	2.59%	3.08%	3.31%	3.32%
01/04/2015 12:15:49	2015/16	2.13%	2.72%	3.08%	3.29%	3.34%
01/04/2014 12:15:51	2014/15	2.96%	3.95%	4.34%	4.47%	4.50%

Calculation of the CFR

As per the requirements of the CIPFA Prudential Code, the council calculates its Capital Financing Requirement by consolidating the following elements of the balance sheet:

- Non-current tangible assets (i.e. property, plant and equipment, heritage assets, investment properties and non-current assets held for sale);
- Intangible assets – non current;
- Long-term debtors relating to capital transactions (where applicable);
- investments that treated as capital expenditure under proper practices or applicable regulations;
- Revaluation reserve;

- Capital adjustment account;
- Donated assets account;
- Other items on the Balance Sheet that relate to capital expenditure but excluding the underlying liability.

This is known as the balance sheet CFR.

The CFR can also be calculated year-on-year by taking the opening CFR and consolidating with in-year:

- Capital expenditure (acquisitions, enhancements, loans and investments)
- Capital financing applied to the capital adjustment account (capital grants, receipts, loan repayments)
- Donated assets
- Minimum Revenue Provision

This is the method prescribed by the CIFPA code on Local Authority Accounting and is disclosed as part of the Council's annual statement of accounts. Reconciliation of the two CFR methods is undertaken annually as part of year-end accounting procedures.

Amounts in the CFR excluded from MRP

In-line with the revised guidance from government published 10th April 2024[1], the council has opted to not charge MRP in relation to the CFR for service loans to its subsidiary companies beyond the expected credit losses on the loans recognised in year. The council expects all service loans to be repaid in full and therefore the borrowing in relation to these loans will be financed by the capital receipt upon repayment. However, in line with International Financial Reporting Standard 9, the council should make an allowance for expected credit losses – that is an allowance reflecting the risk that the council does not receive all interest and principal due to them under the loan agreement – even if the risk of this is very low. It is therefore prudent to charge minimum revenue provision in line with the expected credit loss allowance to reflect the small chance that the council does not receive all of the principal at the end of the loan and so is not able to repay its borrowing. As the expected credit loss allowance for each loan is remeasured each year, any change in the risk of default is captured and therefore is also reflected in the MRP charge. As the current risk of default is low the council is satisfied that this approach is prudent, however if the risk of default becomes significant then the council would consider whether a further MRP charge would be required.

MRP Factors and Assumptions

As part of the 2023/24 Capital Strategy, Full Council approved a change of MRP approach from option 3a (Straight-line) to 3b (Annuity) for Fixed Assets, Capital Loans and Share Capital investments. The annuity approach helps to more fairly distribute capital financing costs to the taxpayer over the lifetimes of the assets invested in when factoring the time value of money. This was in recognition that the council has primarily invested in assets which are expected to have long-term benefits to the taxpayer, with benefits expected to be realised over 50 years, meaning that the effects of the time value of money are significant.

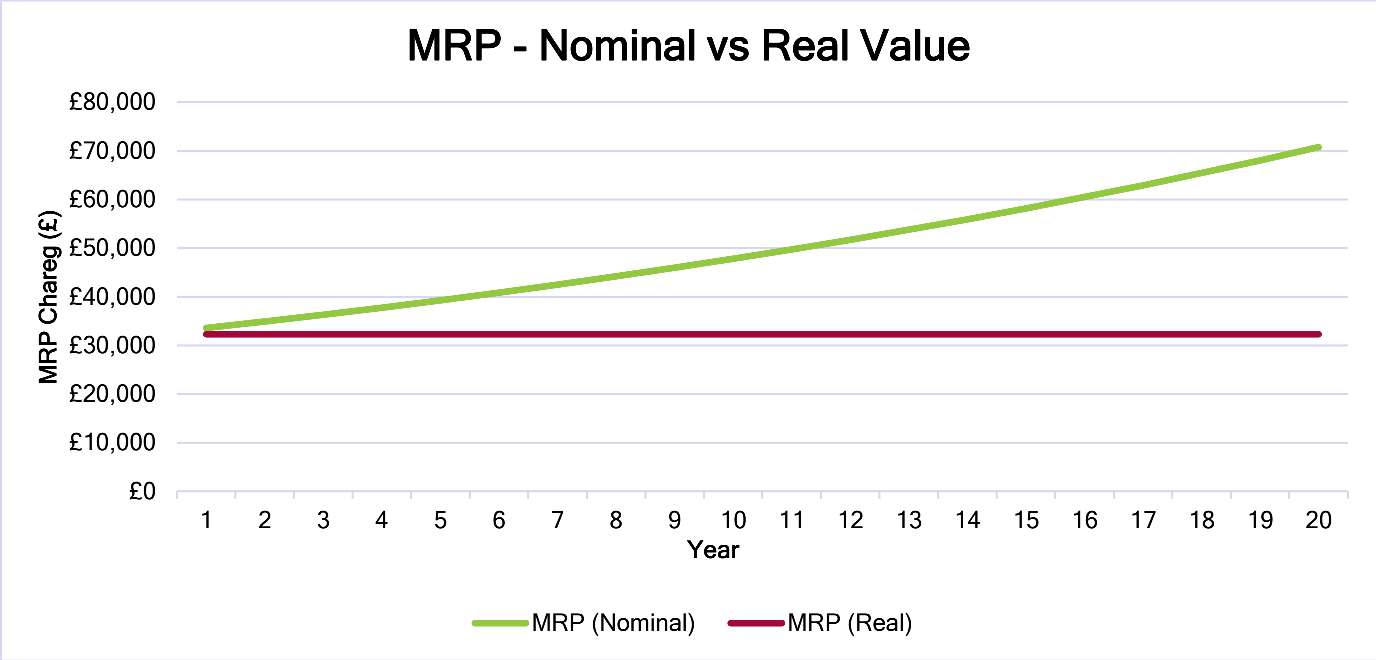
The Time Value of Money

An annuity based MRP approach enables a fairer distribution of MRP across the lives of the assets invested in due to the time value of money – i.e. that the money is worth more today than in the future. The value of money can be thought of in terms of its nominal value, what money is worth in today's terms, and its real value – its actual worth at a given point in the future based on current expectations around interest rates and inflation. When interest rates are high, the effects of the time value of money are more prominent.

MRP is one of two elements that make up the cost of capital financing, the other being interest payable. When examining an annuity approach, it useful to compare the repayment profile to that of a mortgage agreement. Whilst a mortgage has a fixed repayment profile over a given period (assuming a fixed rate of interest), the split between the amount paying off interest (revenue) and the amount paying off the capital element of the mortgage changes with time. At the start of the loan, a greater proportion of the total cost of borrowing is paid towards interest, as the principal balance outstanding on the loan is higher. The interest element decreases over time as the principal balance reduces, and as the interest reduces, more capital is paid towards the principal. MRP therefore represents the capital element of the mortgage in this scenario. The effect of this is that the MRP charge is factoring in the time value of money, and whilst the nominal value of MRP increases with time, its real value remains constant, meaning there is no increased burden on the future taxpayer.

The below graph demonstrates this effect for a capital investment of £1m at an interest rate of 5% with an asset life of 20 years:

Figure AN1.0 : Example Financing Costs Graphical Representation



Interest Rates
The assumption made for the MRP calculation is that the interest rate remains fixed over the life of the asset and that it matches the presiding PWLB rate at the time the expenditure was incurred.

In practice, decision on loans from the PWLB are taken as part of the treasury management, therefore actual loans may have different rates of interest, repayment profiles and maturity dates. Loans may not necessarily be repaid in instalments but instead repaid in full on a fixed maturity date. The council in setting aside MRP, may not necessarily have any loan principal payment obligations until far into the future. MRP therefore acts as provision to repay external debt rather than as an actual repayment. In making MRP independent of actual loan principal repayments, the council is setting aside cash balances that can generate interest receivable. This has the effect of reducing the net capital financing costs to the corporate revenue budget in years when no principal repayments are due, having a similar effect to that of a capital repayment of a loan in instalments reducing interest payable.

The council recognises that the loans it takes from PWLB are in some cases going to mature earlier than when MRP can be fully provided to repay the loan and will therefore require refinancing in the future to meet existing loan obligations. This does expose the council to future interest rate and refinancing risks which are addressed and managed as part of the Council's Treasury Management Strategy and function.

Asset Lives in the MRP Calculations
The statutory guidance on MRP provides maximum useful lives for the purposes of calculating MRP. To simplify the MRP calculation, the council applies approximated useful lives based on the type of expenditure incurred. This results in a less labour-intensive calculation whilst ensuring the MRP is materially accurate and commensurate with the period over which the expenditure is expected to provide benefits. These lives will not exceed 50 years unless external professional advice is received indicating that the useful life of the asset extends beyond this (e.g. by valuation and property experts) as permitted by the guidance.
The useful life ranges are detailed in the table below.

Expenditure Type	Useful Life
Acquisition of Land	50 years
Acquisition of Buildings	20-50 years
Acquisition of Plant	10-20 years
Acquisition of Equipment	5-20 years
Enhancements to buildings (fitting out of space, replacement roofs etc.)	15-20 years
Home Adaptions under the Disabled Facilities Grants Scheme	5-15 years
Acquisition of Share Capital in a Subsidiary	20 years
Acquisition and Enhancement of on-premises Computer Software	1-5 years

Future MRP Considerations

The council recognises that the interest rates and inflation determine the time value of money and are likely to fluctuate over the lifetime of MRP for long-term assets. As such, the council will review the suitability of the annuity based method annually to ensure it remains appropriate. If interest rates decrease significantly, the current annuity model may no longer be the most appropriate methodology.

[1] – Statutory Guidance on Minimum Revenue Provision
https://www.gov.uk/government/publications/capital-finance-guidance-on-minimum-revenue-provision-third-edition/capital-finance-guidance-on-minimum-revenue-provision-5th-edition

[2] – PWLB Lending Facility Rates
https://www.dmo.gov.uk/responsibilities/local-authority-lending/historical-interest-rates/

This page is intentionally left blank

Treasury Management Strategy Statement 2026/2027

Index

1. Introduction

The council is required to operate a balanced revenue budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the council's low risk appetite, providing adequate liquidity initially before considering investment return.

The other main function of the treasury management service is the funding of the council's capital plans. These capital plans provide a guide to the borrowing need of the council, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.

The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

1.1 Treasury Management Reporting

The aim of the strategy is to ensure that all the council's elected members fully understand the overall long-term policy objectives and resulting Treasury Strategy requirements, governance procedures and risk appetite.
The council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals. All of these reports will first be reviewed Accounts, Audit and Risk Committee before being recommended to council.

a. **Treasury indicators and treasury strategy** (this report) **-** The first, and most important report is forward looking and covers how the investments and borrowings are to be organised and setting treasury indicators

b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the Treasury position, prudential indicators, and whether any policies require revision.

c. **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny
The above reports are required to be adequately scrutinised before being recommended to the Full Council. This role is undertaken by the Accounts, Audit and Risk Committee.

Quarterly reports – In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) has also been required. However, these additional reports do not have to be reported to Full Council but do require to be adequately scrutinised. This role is undertaken by the Accounts, Audit and Risk Committee.

1.2 Treasury Management Strategy for 2026/27

The strategy for 2026/27 covers the following Treasury management issues:
- the current treasury position
- treasury indicators which limit the treasury risk and activities of the council
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy; and
- the policy on use of external service providers

These elements cover the requirements of the Local Government Act 2003, MHCLG Investment Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

1.3 Training

The CIPFA Treasury Management Code requires the Section 151 Officer, as the responsible officer, to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

Furthermore, pages 47 and 48 of the Code state that they expect "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making. The scale and nature of this will depend on the size and complexity of the organisation's treasury management needs.

As a minimum, the council should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies. CIPFA's Better Governance Forum and Treasury Management Network self-assessment by members responsible for the scrutiny of treasury management will be used.
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.

The training needs of treasury management officers are periodically reviewed.

1.4 Treasury Management Consultants

The council uses MUFG Corporate Markets as its external treasury management advisors.

The council recognises that responsibility for treasury management decisions always remains with the organisation and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

1.5 Treasury Management Portfolio

1.5.1 The overall treasury management portfolio as at 31.3.25 and for the forecast position as at 31.03.26 are shown below for both borrowing and investments.

Table 1: Overall treasury management portfolio

TREASURY PORTFOLIO				
	actual	actual	forecast	forecast
	31.3.25	**31.3.25**	**31.3.26**	**31.3.26**
Treasury investments	£000	%	£000	%
Banks		0%		0%
Building societies - unrated		0%		0%
Building societies - rated		0%		0%
Local authorities		0%	3,000	30%
DMADF (H.M.Treasury)		0%		0%
Money Market Funds	5,205	100%	7,000	70%
Certificates of Deposit		0%		0%
Total managed in house	**5,205**	**100%**	**10,000**	**100%**
Bond Funds		0%		0%
Property Funds		0%		0%
Total managed externally	**0**	**0%**	**0**	**0%**
Total treasury investments	**5,205**	**100%**	**10,000**	**100%**
Treasury external borrowing				
Local Authorities	20,000	12%	35,000	23%
PWLB	145,000	88%	114,000	77%
LOBOs		0%		0%
Total external borrowing	**165,000**	**100%**	**149,000**	**100%**
Net treasury investments / (borrowing)	**(159,795)**	**-**	**(139,000)**	**-**

1.6 Balance sheet summary and forecast

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

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

Table 2: Balance sheet summary and forecast

	31.3.25 Actual £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m	31.3.29 Forecast £m
General Fund CFR	235.5	233.6	238.6	230.4	227.0
Less: External borrowing	(165.0)	(149.0)	(155.4)	(155.8)	(156.2)
Less: Service Loans and lease liability	0.0	(0.1)	0.0	0.0	0.0
Internal/(over) borrowing	**70.5**	**84.5**	**83.2**	**74.6**	**70.8**
Usable reserves	(51.3)	(55.9)	(52.4)	(52.8)	(53.2)
Working capital	(24.4)	(38.6)	(40.9)	(32.5)	(29.2)
Expected investments	**5.2**	**10.0**	**10.1**	**10.7**	**11.6**

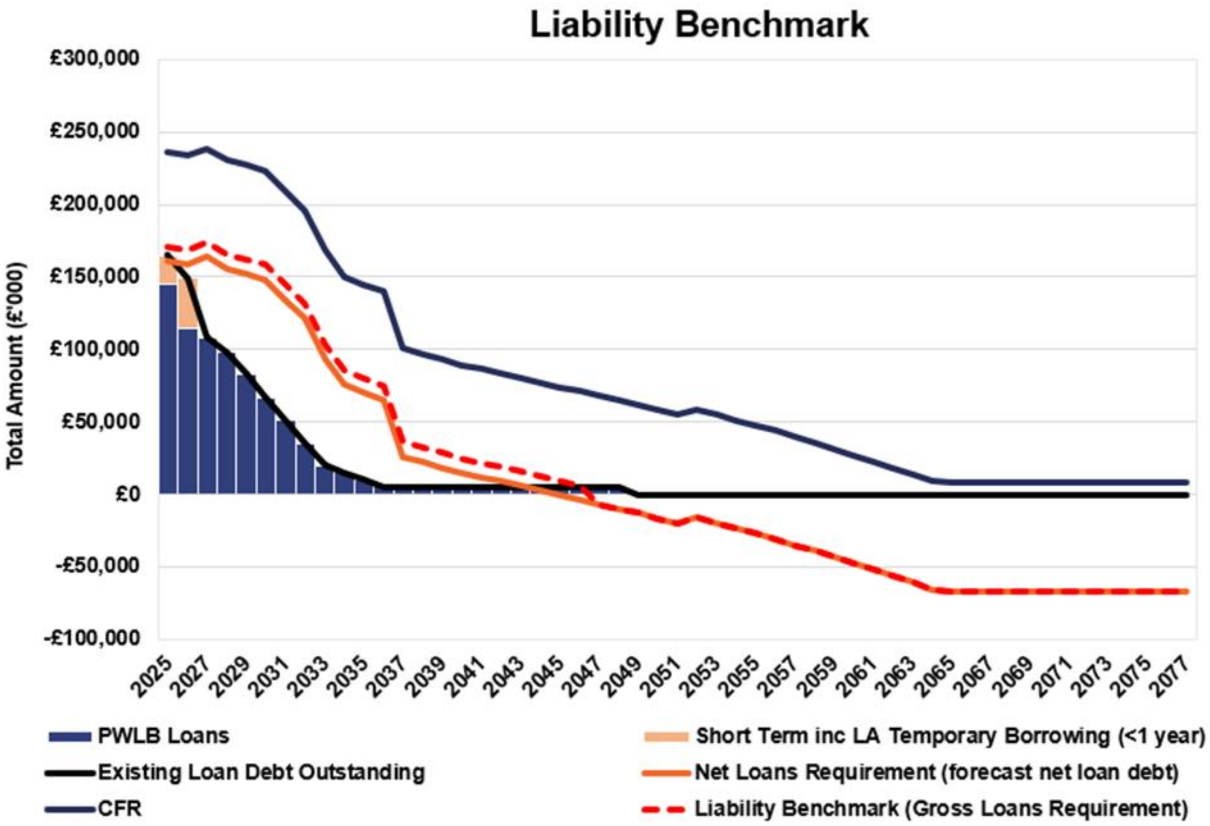
1.7 Liability Benchmark

1.7.1 The council is pleased to include the Liability Benchmark (LB) as a prudential indicator for 2026/27 in this report. The council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

1.7.2 There are four components to the LB:

a.) **Existing loan debt outstanding**: the council's existing loans that are still outstanding in future years.
b.) **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Minimum Revenue Provision (MRP.)
c.) **Net loans requirement**: this will show the council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
d.) **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

Table 3: Liability Benchmark



1.7.3 This graph is based only on approved activities in the current and proposed capital programme and it therefore assumes there are no future capital investments beyond what is included in the capital programme. This graph is not a forecast but a snapshot of the council's current commitments and loans. The difference between net loan requirement and CFR is made up of internal borrowing.

1.7.4 The LB graph above demonstrates that the council is in an under borrowed position until 2040. Using the current data available the CFR may be nil by 2065 and the estimated internal borrowing currently used to finance the CFR can be invested as the CFR reduces.

1.8 General Balances & Reserves and Expected Investment Balances

1.8.1 Internal borrowing is possible because of the council's General Balances and reserves as laid out in the table below. These funds can be used to finance capital expenditure or other budget decisions to support the revenue budget, but it is important that there is enough liquidity to ensure that should the funds be called upon that the council would not be forced to borrow in an unfavourable position.

1.8.2 The other component within this table is working Capital which is made up of a combination of debtors, creditors, long term liabilities and non-capital deferred credits / receipts.

Table 4: General Balances & Reserves and Expected Investment Balances

Year End Resources £m	2024/25 Actual	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast
Collection Fund Adjustment Account	1.0	(0.5)	0.0	0.0	0.0
General Balances	(8.0)	(8.0)	(8.0)	(8.0)	(8.0)
Earmarked Reserves	(33.2)	(36.9)	(37.3)	(37.8)	(38.2)
Revenue Grants	(5.8)	(5.8)	(5.8)	(5.8)	(5.8)
Capital Reserves	(5.3)	(4.7)	(1.3)	(1.2)	(1.2)
Usable reserves	**(51.3)**	**(55.9)**	**(52.4)**	**(52.8)**	**(53.2)**
Working capital*	(24.4)	(38.6)	(40.9)	(32.5)	(29.2)
Internal/(over) borrowing	70.5	84.5	83.2	74.6	70.8
Expected investments	**5.2**	**10.0**	**10.1**	**10.7**	**11.6**

*Working capital balances shown are estimated year-end; these may vary midyear

1.9 Treasury Management Indicators

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

1.9.1 **Interest rate exposures for both borrowing and investing**: This indicator is set to control the council's exposure to interest rate risk. The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates. The upper limits on the one-year revenue impact of a 1% rise or a 0.75% fall in interest rates will be:

Table 5: Interest rate exposures for both borrowing and investing in 2026/27

Interest rate risk indicator	Impact	Limit

Upper limit on one-year revenue impact of a 1% rise in interest rates	Borrowing: The revenue impact would only affect the cost of refinancing maturing loans. Investments: As the council maintains short investment terms (average 90 days in 2025/26) this would increase in revenue for investments.	£410,000 £233,333
Upper limit on one-year revenue impact of a 0.75% fall in interest rates	Borrowing: Falling interest rates would result in a savings in the cost of refinancing maturing loans. Investments: As the council maintains short investment terms (average 90 days in 2025/26) this would decrease investments returns.	£307,500 £175,000

*calculations based on the 2026/27 proposed budget

1.9.2 **Maturity structure of borrowing**: The council monitors its exposure to refinancing risk with the maturity structure of borrowing indicator. The practice of setting a 'maturity structure of borrowing' aims to profile the maturity dates of borrowing so that loans don't all mature at once as this exposes the council to refinancing risk. As an example, if all of the council's loans had matured in the last 6 months, the council would have been forced to refinance at the higher interest rates than budgeted for. Instead, the council's loan maturity dates are spread out. Even if rates are still high when the council needs to refinance some of the first loans in the portfolio to mature, at least the council is only exposed to the higher interest rates on those loans, and not all loans. The upper and lower limits on the maturity structure of borrowing will be as per Table 6 below:

Table 6: Maturity structure of borrowing limits in 2026/27

Refinancing rate risk indicator	Upper limit	Lower limit	Actual 31/03/26
Under 12 months	50%	0%	27%
12 months and within 24 months	50%	0%	7%
24 months and within 5 years	60%	0%	32%
5 years and within 10 years	70%	0%	31%
10 years and above	80%	0%	3%

1.9.3 The upper limit should always be reviewed in line with the Liability Benchmark to ensure that refinancing risk is mitigated. While it is important to have flexibility to navigate changing market conditions is it critical that loan repayments are spread appropriately. The lower limit has been considered but kept at zero to ensure that the council is not forced into taking borrowings in a particular category that would lock us into an unfavourable borrowing situation. The council feels that having no set lower limit gives officers the best flexibility to react to the economic climate. For example, if a lower limit for 10-year borrowing was set it may force the council to take out loans of that term when rates are high, rather than the council's preferred strategy of borrowing for shorter periods (still spread out) until rates begin to settle at the level the council's advisors believe will be the new "normal".

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

1.9.5 **Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end. The council is asked to approve the following treasury indicator and limit:

Table 7: Long term investment limits

	2025/26	2026/27	2027/28
Upper limit for principal sums invested for longer than 365 days	£5m	£5m	£5m
Current investments as at 31.12.2025 in excess of 1 year maturing in each year	Nil	Nil	Nil

1.10 Financial implication of the 2026/27 Treasury budget

1.7.1 The budget for treasury investment income in 2026/27 is £0.826m, based on an average investment portfolio of £23m at an average interest rate of 3.54%. This is a slight decrease from the £0.886m budgeted for in 2025/26, based on an average investment portfolio of £26m at an average interest rate of 3.38%.

1.7.2 The budget for committed debt interest payable in 2026/27 is £4.423m, based on an average debt portfolio of £155.4m at an average interest rate of 2.81%. This is a decrease from the 2025/26 budget of £4.851m, based on an average debt portfolio of £179m an average interest rate of 2.71%.

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

2 Borrowing

2.1 Borrowing Strategy

2.1.1 The council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the council's reserves, balances and cash flow has been used as a temporary measure (as detailed in table 4.) This strategy is prudent as borrowing rates are forecast to reduce further in the forthcoming financial year.

2.1.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2026/27 treasury operations. The S151 Officer, using information supplied by the council's Treasury Advisors, will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances for example:

- *if it was felt that there was a significant chance of a sharp FALL in borrowing rates,* then long term borrowing will be postponed.

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates,* then fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

It is important to note that decisions can only be taken based on the best information available at the time and cannot be taken with the benefit of hindsight.

2.1.3 Any significant decisions made by the S151 officer will be reported to the Accounts, Audit and Risk Committee (AARC) at the next available opportunity. In addition, the council may borrow further short-term loans to cover unplanned cash flow shortages.

2.1.4 **Forecast of borrowing rates:** The Bank of England base rate is expected to be 3.75% in April 2026, with another rate cut anticipated in the second quarter of 2026/27. External borrowing costs would be at a margin over the Bank of England base rate. Please see MUFG's latest forecast in the Appendices at 4.3.

2.2 Approved Sources of Long and Short-term Borrowing

	Fixed	Variable
Public Works Loan Board (PWLB) and any successor body	●	●
Any other UK public sector body e.g., other councils	●	●
Any other bank or building society authorised to operate in the UK	●	●
Any institution approved for investments (see below)	●	●
UK private and public sector pension funds (except Oxfordshire County Council Pension Fund)	●	●
Insurance Companies	●	●
UK Infrastructure Bank	●	●
Overdraft		●
Internal borrowing (capital receipts & revenue balances)		●

●

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

	Fixed	Variable
Finance Leases	●	●
Hire purchase	●	●
Private Finance Initiative	●	●
Crowd Funding	●	●

2.3 Policy on Borrowing in Advance of Need

2.3.1 The council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be taken in consideration of the forecast Capital Financing Requirement, forecast interest rate changes, and will be considered carefully to ensure that value for money can be demonstrated and that the council can ensure the security of investing such funds.

2.3.2 Risks associated with any borrowing in advance of activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

2.4 Debt Rescheduling

2.4.1 As the council's PWLB loan portfolio has an average interest rate of 2.34% the PWLB would currently reward early repayment due to the discount rates on offer. In September 2025 the PWLB was offering a discount of £9,373,131 for the early repayment of all the loans made to the council that have over 12 months left to maturity. However, a statutory override would require any discount to be amortised to revenue over 10 years, which reduces the initial revenue benefit. In addition, the council is currently in an under borrowed position and premature repayment would be problematic as loans at higher rates would need to be taken to refinance and this would create additional revenue cost. Currently the PWLB 1 year rate is 4.45% which would mean an increased interest payments of £1,861,695 annually, reduced by the £937,313 amortised discount, would be an increased revenue burden of £924,383.

2.4.2 The option to reschedule existing loans will be reviewed on a regular basis and any decision making would be supported by a net present value appraisal, which would provide expected whole life net General Fund benefit.

2.4.3 If any loan rescheduling is to be undertaken, it will be reported to the Accounts, Audit and Risk Committee, at the earliest meeting following its action.

3 Investing

3.1 Investment strategy

3.1.1 The council's investment priorities will be **security first, portfolio liquidity second and then yield (return).** The council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity in line with the council's risk appetite.

3.1.2 The council's strategy is to have regard to the **Environmental, Social and Governance** ("ESG") risks presented by its Counterparties. The Treasury function will favour any counterparty that offers "ESG" or 'green' investments as long as all investment criteria as laid out in this strategy are met.

It is important to note that excluding any one counterparty, on social norms or standards, will likely mean others will similarly have to be avoided and thus impact the council's capacity to mitigate risk through diversification.

3.1.3 In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

3.1.4 This council has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

a.) Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.

b.) **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

c.) **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 3.1 (Table 8.)

d.) **Transaction limits** are set for each type of investment in 3.2 (Table 9.)

e.) This council will set a limit for its investments which are invested for **longer than 365 days**, (see point 1.9 Treasury Management indicators).

f.) All investments will be denominated in **sterling**.

g.) Under IFRS 9 accounting standards, this council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

h.) However, this council will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Monthly monitoring of investment performance will be carried out during the year.

The above criteria are *unchanged* from last year.

3.2 Creditworthiness policy and approved counterparties limits

3.2.1 The council will only invest with counterparties with a long-term rating of A and above. The council's treasury advisors publish a bespoke approved counterparty list which is updated weekly. There is a limit of £3m per counterparty.

3.2.2 All other councils (Local Authorities) are approved counterparties subject to there not being a Section 114 notice in place. There is a limit of £5m per counterparty.

3.2.3 The council may invest unlimited amounts with the UK Government via the Debt Management Office (referred to as the DMADF.)

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

Table 8: Approved investment counterparties and limits

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

** Any other UK public sector body e.g. other councils*

This table must be read in conjunction with the notes below:

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

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

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

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

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

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

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

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

3.2.3.8 **Financial Derivatives:** The council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the council is exposed to. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

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

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

- no new investments will be made until it improves sufficiently to meet our minimum criteria,
- consideration of risk of default of existing investments and whether they can be recalled or sold at no cost will be made, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

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

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

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

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

3.3 Investment limits

3.3.1 Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Assistant Director of Finance (S151 Officer) and staff, who must act in line with the treasury management strategy approved by council ,and treasury management practices (TMP's) approved by the Assistant Director of Finance (S151 Officer) annually. Reports on treasury management activity are presented to the Accounts, Audit & Risk Committee. The Accounts, Audit & Risk Committee is responsible for scrutinising treasury management decisions.

3.3.2 To reduce risk, investment limits have been set, as laid out in Table 9 below:

Table 9: Monetary limit for investment types

	Investment limit
UK Central Government	Unlimited
Any single organisation, including UK public sector body e.g. other councils	£5m each
Any group of organisations under the same ownership	£5m per group
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£3m per broker
Registered providers and registered social landlords	£10m in total
Unsecured investments with building societies	£10m in total
Loans to unrated corporates	£5m in total
Money market funds	£20m in total
Real estate investment trusts	£5m in total

3.3.3 The council currently uses six (6) money market funds that offer liquidity at very competitive market rates. The £20m total investment limit allows flexibility in determining whether to invest funds overnight in the DMADF (UK Debt Management Office) or in Money Market Funds which have built in diversification, allocating funds invested across at least 10 high credit quality counterparties.

3.4 Related Matters

3.4.1 **Markets in Financial Instruments Directive (MiFID II)**: The council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the council's treasury management activities, the Assistant Director of Finance (S151 Officer) believes this to be the most appropriate status.

3.4.2 This requires the council to have a minimum investment balance £10 million and the person making investment decisions on behalf of the council to have at least one year's relevant professional experience. Investments as well as cash deposits are count towards meeting the £10 million threshold.

3.4.3 **General Data Protection Regulation 2018:** Relationships with external providers covered by the Treasury management Practices are governed by and operated in accordance with the act.

4 Appendices

4.1 Interest Rates forecasts 2026-2029

Table 10: MUFG Corporate Markets Interest rate View 22/12/25

MUFG Corporate Markets Interest Rate View 22.12.25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
BANK RATE	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40
12 month ave earnings	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60
5 yr PWLB	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
10 yr PWLB	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
25 yr PWLB	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20
50 yr PWLB	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

Please note, PWLB forecasts are based on PWLB certainty rates.

4.2 Economic backdrop – 23rd December 2025

Following the 26 November Budget, the Office for Budget Responsibility (OBR) calculated the net tightening in fiscal policy as £11.7bn (0.3% of GDP) in 2029/30, smaller than the consensus forecast of £25bn. It did downgrade productivity growth by 0.3%, from 1.3% to 1.0%, but a lot of that influence was offset by upgrades to its near-term wage and inflation forecasts. Accordingly, the OBR judged the Chancellor was going to achieve her objectives with £4.2bn to spare. The Chancellor then chose to expand that headroom to £21.7bn, up from £9.9bn previously.

Moreover, the Chancellor also chose to raise spending by a net £11.3bn in 2029/30. To pay for that and the increase in her headroom, she raised taxes by £26.1bn in 2029/30. The biggest revenue-raisers were the freeze in income tax thresholds from 2028/29 (+£7.8bn) and the rise in NICs on salary-sacrifice pension contributions (+£4.8bn). The increase in council tax for properties worth more than £2.0m will generate £0.4bn.

MPC meetings: 8 May, 19 June, 7 August, 18 September, 6 November, 22 December 2025

There were six Monetary Policy Committee (MPC) meetings held between April and December. In May, the Committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged. In June's vote, three MPC members (Dhingra, Ramsden and Taylor) voted for an immediate cut to 4.00%, citing loosening labour market conditions. The other six members were more cautious, as they highlighted the need to monitor for "signs of weak demand", "supply-side constraints" and higher "inflation expectations", mainly from rising food prices. By repeating the well-used phrase "gradual and careful", the MPC continued to suggest that rates would be reduced further.

In August, a further rate cut was implemented. However, a 5-4 split vote for a rate cut to 4% laid bare the different views within the Monetary Policy Committee, with the accompanying commentary noting the decision was "finely balanced" and reiterating that future rate cuts would be undertaken “gradually and carefully”. Ultimately, Governor Bailey was the casting vote for a rate cut but with the CPI measure of inflation expected to reach at least 4% later this year, the MPC was wary of making any further rate cuts until inflation begins its slow downwards trajectory back towards 2%.

With wages still rising by just below 5%, it was no surprise that the September meeting saw the MPC vote 7-2 for keeping rates at 4% (Dhingra and Taylor voted for a further 25bps reduction). Moreover, the Bank also took the opportunity to announce that they would only shrink its balance sheet by £70bn over the next 12 months, rather than £100bn. The repetition of the phrase that “a gradual and careful” approach to rate cuts is appropriate suggested the Bank still thought interest rates will fall further.

At the 6 November meeting, Governor Bailey was once again the deciding vote, keeping Bank Rate at 4% but hinting strongly that a further rate cut was imminent if data supported such a move. By 22 December, with November CPI inflation having fallen to 3.2%, and with Q2 GDP revised down from 0.3% q/q to only 0.2% q/q, and Q3 GDP stalling at 0.1%, the MPC voted by 5-4 to cut rates further to 3.75%. However, Governor Bailey made it clear that any further reductions would require strong supporting data, and the pace of any further decreases would be slow compared to recent months. The markets expect Bank Rate to next be cut in April.

4.3 Glossary of terms

Counterparties - an opposite party in a contract or financial transaction. This may include the central Government, councils, Banks and Building societies to name a few.

Cost of Carry - The difference between the interest payable on borrowing on debt and the interest receivable from investing surplus cash.

Debt Rescheduling - A change in the terms of outstanding loans. The rescheduling can take the form of an entirely new loan, or it could mean repaying the debt early for a discount if the current market rates are higher than the fixed interest on the loan.

General Balances and Reserves – The General balance has been created by keeping aside surplus funds during an accounting period to meet contingencies or offset future losses. Reserves however are created for a specific purpose. This may be funds that have been received and earmarked for a specific purpose in the future.

Internal Borrowing – Instead of taking external loans to fund activities such as Capital expenditure, the council may use income and grants received in advance, to fund these activities. Usually, surplus funds are invested to earn interest, however it is prudent to use these funds instead of loaning money as loans generally cost more than could be earned by investing the funds.

Laddering – is an investment technique that requires investors to purchase multiple financial products with different maturity dates. The aim is to produce steady cash flow by deliberately planning investments.

Liability Benchmark – demonstrates how a council's existing debt maturity profile and other cash flows affect their future debt requirement. Its aim is to show whether the council is in an over-borrowed position (existing debt maturity profile is greater than their forecast debt requirement) or an under-borrowed position (existing debt maturity profile is less than their forecast debt requirement.) In monitoring this position the council can aim to secure interest rates at the acceptable rates and manage interest payable costs.

Accounts, Audit and Risk Committee
Work Programme 2025/26

Date	Agenda Items
18-Mar-26	Counter Fraud Update Housing Benefit Risk Based Verification Policy Housing Benefit Subsidy Audit 2022/23 Counter Fraud Work Programme 2026/27 Internal Audit Work Programme 2026/27 AGS 2025/26 Annual Report of AARC Treasury Management Q3 Update Accounting Policies 2025/26 Final Accounts 2024/25 Health & Safety Q3 report External Audit Plan 2025/26 Risk Monitoring Report Q3

This page is intentionally left blank