

Auditor's Annual Report - Draft
 Cherwell District Council

For the year ended 31 March 2024



Date: 10 January 2025

Members of the Accounts, Audit and Risk Committee
Cherwell District Council
Bodicote House
Bodicote
Banbury
OX15 4AA

Dear Sirs and Madams

Cherwell District Council – Auditor’s Annual Report

We are pleased to attach our draft Auditor’s Annual Report. This report summarises our audit conclusions and highlights the key findings arising from our value for money work.

We have initially discussed the contents of our report with management and have incorporated their comments where relevant.

This report is intended to be solely for the information and use of the Directors and those charged with governance of the Council and should not be shared with anyone beyond the Council without our prior approval.

We would like to take this opportunity to thank the Council’s officers for the co-operation and assistance afforded to us during the course of the audit.

Kind regards

Yours faithfully

A handwritten signature in black ink that reads "Bishop Fleming LLP". The signature is written in a cursive, flowing style. A large, light grey watermark with the word "DRAFT" is oriented diagonally across the page, partially overlapping the signature.

BISHOP FLEMING LLP

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1. Introduction

Our Auditor's Annual Report (AAR) summarises the work that we completed for Cherwell District Council for the year ended 31 March 2024.

The Council is responsible for keeping proper accounts and proper records in relation to the accounts and for maintaining an appropriate system of internal control. The Council is responsible for the preparation of annual accounts for each financial year. Such accounts must present a true and fair view and comply with the requirements of enactments that apply to them.

The Council is also responsible for putting in place appropriate arrangements to secure the economy, efficiency and effectiveness in its use of resources and to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives whilst safeguarding and securing value for money from the public funds at their disposal.

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are responsible for and are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We are also required to report to the Council by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

In addition, we are also responsible for reviewing the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report on the Council's arrangements under three specified reporting criteria:

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

We carried out our work in accordance with our External Audit Plan that we issued to the Council in March 2024.

2. Executive summary

Results from the audit of the financial statements

Our audit of the financial statements is currently in progress. We anticipate issuing a modified disclaimed opinion due to the lack of assurance over opening balances, due to the prior year financial statements also being disclaimed by the previous auditor.

On finalisation of the external audit, we will also complete the component auditor procedures, in line with the National Audit Office group auditor instructions for the work required on the Whole of Government Accounts return.

We have issued this report as draft as these procedures have not been finalised. We will issue a final version to confirm when both of these matters have been resolved.

See section 3 for more details.




Results on our work on other matters

Our review of other matters is in progress at the time of drafting this report. There are no issues on our work carried out to date. See section 3 for more details.




Results from our work on VFM arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

Our conclusions are summarised below. See sections 4-8 for more details.

Financial sustainability		We did not identify any significant weaknesses in the Council's arrangements for financial sustainability. We have identified one improvement recommendation. See section 8 for details
Governance		We did not identify any significant weaknesses in the Council's governance arrangements. We have also not made any recommendations.
Improving economy, efficiency and effectiveness		We did not identify any significant weaknesses in the Council's arrangements for improving efficiency, economy and effectiveness. We have also not made any recommendations.

Key:

	No significant weaknesses in arrangements identified and no recommendations made
	No significant weaknesses in arrangements identified but recommendations made
	Significant weaknesses in arrangements identified and recommendations made

3. Audit of the financial statements

Audit opinion on the financial statements

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). We are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Our audit is currently in progress. Subject to the satisfactory finalisation of the work, we anticipate issuing a disclaimed audit opinion due to the lack of assurance over opening balances, as the prior year financial statements were also disclaimed by the previous auditor.

Key issues arising from the accounts audit

We asked the Council to request an Asset Ceiling Report from the actuary to determine whether there was an additional liability resulting from past service contributions. This identified an additional liability of £7.65m in 2023/24 that needs to be recognised in the financial statements.

Other matters

We are required to report to the Council by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

Our work on other matters is currently in progress, there are no issues to raise at this time.

More detailed findings can be found in our Audit Completion Report which was reported to the Accounts, Audit and Risk Committee on 15 January 2025.

4. Value for Money

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

The Code requires us to report our commentary on the Council's arrangements under three specified reporting criteria:

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

The NAO has issued guidance for auditors to report against each of the three specified reporting criteria. The guidance also includes a number of further areas for review within each criteria for the auditor to assess those arrangements.

Our risk assessment did not identify any potential risks of significant weakness.

We asked management to complete an evidenced self-assessment of the Council's arrangements. We then reviewed the evidence provided and carried out follow up work as appropriate to consider whether there are any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our commentary on the Council's arrangements in each of these three areas is set out in sections 5, 6 and 7 of the report. Our recommendations for improvement are included in section 8.

5. Financial sustainability

We considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including how it:

- ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- plans to bridge its funding gaps and identifies achievable savings;
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Overview and 2023/24 outturn

The Council reported a balanced position on the general fund in its 2023/24 outturn report to the Executive on 10 June 2024. The balanced position was after a transfer to reserves of £4.461m, demonstrating a surplus having been achieved before the reserves transfers.

Financial planning and monitoring

The Council keeps its forecast financial position under review throughout the year with monthly monitoring reports to the Executive covering revenue and capital performance. The monitoring highlights the major budget variances, setting out the reasons for the variance and any remedial actions where necessary.

The Medium-Term Financial Strategy (MTFS) was presented to the Council on 27 February 2023 and identified year on year funding gaps of £4.687m for 2024/25, £13.078m for 2025/26, £0.966m in 2026/27 and (£0.153m) in 2027/28. This represents a cumulative funding gap of £18.565m over the MTFS period. These deficits increased because of assumed funding reforms to take effect with funding not increasing as costs continue to rise.

When the 2024/25 budget was set in February 2024, the updated MTFS year on year funding gaps were £6.909m in 2025/26, £4.294m in 2026/27, £3.198m in 2027/28 and (£0.863m) in 2028/29. This is a cumulative funding gap of £13.539m.

Currently, the Council has sufficient reserves to address any potential future deficits, and they continue to develop options for closing the future budget gaps.

Achieving efficiency savings

The Council's 2023/24 Budget Setting Report set out a proposal for savings of £1m to be made across directorates, with a detailed breakdown of schemes included as an appendix to the report. The monthly monitoring report sets out savings non-delivery at a directorate level where that is a contributory factor to a variance, with a more detailed report going to Corporate Leadership team that RAG rates the savings delivery for each Directorate.

The Council reported in its Performance, Risk and Finance Monitoring end of year report that there was non-delivery of savings of £0.198m in 2023/24. This did not have a detrimental impact on the outturn position due to significant underspends on base budgets, leading to an overall surplus of £4.461m. The savings non-delivery was reported at a directorate level in the report but does not include a comparison of the delivery against the detailed savings plan from the original budget setting report appendix.

We consider that the Council's arrangements for the monitoring of savings during the year are further developed than many other councils, however we feel that they could be further enhanced if the savings achieved in the year were reported against the original detailed proposals. This would highlight to members which of the proposed schemes were successfully delivered within each directorate. We have included an improvement recommendation in respect of this.

2024/25 financial planning

The budget setting process starts with the budget holders at service level reviewing their performance in the previous financial year. Budget challenge meetings take place with Finance and Human Resources (HR) staff working with budget holders. A balanced 2024/25 budget was approved by the Council on 26 February 2024. This included planned contributions from reserves of £3.4m, the majority of this (£3.2m) being capital reserves. The budget also includes proposed savings of £1.8m.

The financial planning assumptions feeding into the 2024/25 budget are based on assumptions captured by the MTF5. Considerations of these risks appear to be appropriately scrutinised as they are considered by the Business Planning Meeting as part of the financial planning process.

We also noted that the Council aligns its financial plans with its capital plans and ensures that workforce issues are considered with Human Resources representation as budget challenge meetings.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's financial sustainability arrangements. We have made a recommendation for improvement at section 8.

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6. Governance

We considered how the Council ensures that it makes informed decisions and properly manages its risks, including how it:

- monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- approaches and carries out its annual budget setting process;
- ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

Risk management

The Council's Risk Strategy clearly defines how risks are managed and reported within the Council and is reviewed annually by the Accounts, Audit and Risk Committee.

The risk reporting in place covers strategic risks detailing the lead member, risk owner and risk manager. For each risk identified, the risk report details the RAG rating, the inherent risk, controls in place to mitigate the risk and any further comments on the management of the risk.

The Performance, Risk and Financial Monitoring Report is received monthly by the Executive and senior management, and quarterly by the Accounts, Audit and Risk Committee. Any comments or updates are noted, and each risk is updated regularly, before an update is given to the Council.

The Council's Governance Structure is made up of the Full Council and the Executive, supported by a number of Committees which have delegated responsibility for their areas. This allows for reliable and direct channels of communication in order to report any risks.

Internal control

The Council's Internal Audit was provided by Oxfordshire County Council in 2023/24, who have a representative at each of the Accounts, Audit and Risk Committee meetings to present any findings. The Committee approves the Annual Internal Audit Plan and is provided with a progress report against the plan at each meeting.

Through our review of the Internal Audit reports, along with review the Accounts, Audit and Risk Committee minutes and supporting documents, we have not identified any significant gaps in the assurance the Council receives over matters in the work programme.

Internal Audit completed their work for the 2023/24 financial year and the Head of Internal Audit opinion stated that the Council has a satisfactory overall control environment and arrangements for governance, risk management and control.

The Counter Fraud Strategy is presented annually to the Accounts, Audit and Risk Committee. There is a named Counter-Fraud lead for the Council who reports progress against the plan to the Committee.

The Accounts, Audit and Risk Committee has a key role to play in ensuring the overall effectiveness of internal controls. The Committee discharges this function appropriately by adhering to its terms of reference and challenging officers in relation to internal and external audit findings.

Budget setting and budgetary control

Budgets are developed by identifying significant pressures, changes in funding, and anticipated expenditure by the Council. When developing the budgets, the most probable scenarios are used as assumptions whilst alternative options are also considered and presented to the Business Planning Meeting. Proposed savings go out to a public consultation before the

Executive propose the budget to Full Council. Once the budget has been set, budget holders sign up to accept responsibility of the budgets they are responsible for.

Budget monitoring takes place on a monthly basis. Budget holders are held responsible for their budgets and are expected to provide mitigations for any variances. The monthly reports contain relevant non-financial information included, which helps to support any variances that are reported.

Decision making

All reports presented to members have been approved by Finance, Legal, Risk and Sustainability departments. The reports include alternative options that have been considered and are written by the appropriate Directorate for the area. Any formal decisions are reviewed by the Executive Committee before being presented to full Council. This is in line with best practice.

We are satisfied that appropriate arrangements are in place to ensure that all relevant information is provided to decision makers before major decisions are made, and that there are arrangements for challenge of such decisions before they are made.

There is an appropriate culture set by senior officers, driven by the Council's constitution and the Employee Code of Conduct. These set out the expectations for the behaviour of officers and promotes best practice, including the requirements to follow Nolan's Seven Principles of Public Life.

Attendance at Accounts, Audit and Risk Committee and minutes reviews have confirmed that the Committee holds officers and the Executive to account and provides effective challenge.

Ensuring appropriate standards

We have been informed that there have been no instances of significant non-compliance within the year. Throughout our review, we have not identified anything that has contradicted this.

Treasury management decisions are made in line with the Treasury Management Strategy, which is reviewed annually by the Accounts, Audit and Risk Committee. There is no evidence from our work indicating any non-compliance with capital or other statutory requirements.

The Council's Employee Code of Conduct and further specific policies outline the expected behaviours throughout the Council. Non-compliance throughout the Council is monitored by Statutory Officers and the HR department enforce mandatory training on relevant topics.

The Council has other appropriate policies and procedures in place to ensure appropriate standards are maintained. These include the Counter Fraud, Corruption and Bribery Policy and the Gifts and Hospitality policy.

Elected Members declarations of interest are publicly available on the page with each member's contact details. The declarations of interest published are made in line with the relevant regulations and the LGA model Code of Conduct expectations. Arrangements for making a declaration of interest are in place at the beginning of all formal Council and Committee meetings.

We are satisfied that the Council has appropriate arrangements in place to monitor compliance with legislation and regulatory requirements.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's governance arrangements.

Improving economy, efficiency and effectiveness

We considered how the Council uses information about its costs and performance to improve the way it manages and delivers its services, including:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Assessing performance and evaluating service delivery

The Council reports its performance against its priorities to the Executive on a monthly basis. The Performance, Risk and Finance Monitoring Report provides the Executive with a detailed assessment of performance in delivering its priorities, managing potential risks and balancing its finances. The report monitors the reasons for movements to identify areas for improvement and makes recommendations as appropriate

The Council has access to local area benchmarking tools, including CFO Insights, LG Inform and Local Insight, and are currently looking to produce benchmarking reports which connect to the performance management system. The Council also use local networks through the Publica arrangements to benchmark their performance against local councils to identify key areas of focus for the improvement of services. There is clear collaboration with other councils to improve overall performance.

The LGA Corporate Peer Challenge carried out in December 2022 provided detailed for areas of improvement and guidance on the approach to be taken. The Council have an action plan in place for the delivery of the recommendations, with a number of recommendations having been implemented. A progress review follow up was carried out by the LGA in February 2023, which noted the positive progress being made by the Council, further demonstrating that the Council has fully engaged in the process.

There is evidence that the Council reviews and challenges the cost effectiveness of activities through its performance management framework. It has also started a transformation process. An example of this is the Environmental Services review. The review considered the current service delivery, including the cost, productivity and performance and then provided alternative delivery models. Some recommendations coming out of the review were included in the 2024/25 budget consultation, with others being consulted on for implementation during the Medium-Term Financial Strategy period. All services will be covered by the transformation process.

The Accounts, Audit and Risk Committee receive recommendations from Internal Audit. This reporting includes tracking of the target implementation dates for open recommendations. Internal Audit send monthly emails to Assistant and Corporate Directors detailing all open recommendations to ensure that any delays in implementation can be followed up. There is good evidence of the Council implementing internal and external audit recommendations.

Partnership working

The Council have established appropriate governance arrangements for key partnerships, with an example being Bicester Garden Town. The Council works with Oxfordshire County Council, Homes England, developers and other stakeholders on this partnership. There is an Officer Programme Board (OPB) consisting of officers from Cherwell and the County Council. The Strategic Oversight Partnership (SOP) provides oversight of the project, the SOP includes Councillors from Cherwell DC, Bicester Town Council and the County Council, along with other stakeholders including Homes England and the Oxford LEP. It is then also attended by the officers from the delivery side of the arrangement. This demonstrates how the Council effectively monitors the partnership work.

The Council has subsidiary companies of Graven Hill Village Holdings Ltd and Crown House Banbury Ltd, which have their own associated subsidiary companies. The companies report quarterly to the Shareholder Committee which is how members are informed of how the companies have performed against the objectives in their business plans.

Commissioning and procuring services

The Council's Procurement Strategy was approved in October 2023. Guidance, procedures and templates are made available to all officers and ensures that standards are met. These are updated to ensure compliance with relevant policies and legislation. Procurements are overseen by legal and procurement teams to ensure compliance with the laws and procedures. We have not identified, and have not been made aware, of any instances of the Council failing to operate a fair procurement exercise on significant contracts.

The Council monitors the performance of service providers and takes action to resolve issue when they arise. An example of this are the arrangements for monitoring the performance of the Parkwood Leisure Centre, which includes reviews of key performance indicators, construction issues, and customer feedback.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness.

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7. Recommendations

KEY:




Recommendations that refer to issues that have resulted in a significant weakness in the Council's arrangements.



Recommendations that should improve the arrangements in place at the Council but are not as a result of identifying a significant weakness.

Current Year Issues

Reporting of financial savings	
	
<p>The supporting papers for the 2023/24 budget included a schedule detailing the proposed saving schemes. The monitoring and reporting of savings achieved are at Directorate level and do not set out the details of which savings were achieved compared to the budget.</p>	<p><u>Recommendation</u></p> <p>The reporting of savings achieved in the year could be further enhanced by reporting the outturn position against the original proposed savings schemes within each directorate that were included in the budget.</p> <p><u>Management comment</u></p> <p>The council does currently include high level reporting on savings delivery/non-delivery in the monthly finance reports to Executive at the directorate level and, where relevant, in the detailed revenue narratives explaining forecast variance to budget. However, we recognise that there is room to improve the clarity and granularity that is reported to members and will explore how the reporting could be improved.</p>



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