

# Public Document Pack



**Cherwell**

DISTRICT COUNCIL  
NORTH OXFORDSHIRE

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

**Date: Monday 21 June 2021**

**Time: 6.30 pm**

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

## **Membership**

**Councillor Mike Kerford-Byrnes (Chairman)**

Councillor Conrad Copeland  
Councillor Tony Illott  
Councillor Tom Wallis

**Councillor Hugo Brown (Vice-Chairman)**

Councillor Matt Hodgson  
Councillor Nicholas Mawer  
Councillor Sean Woodcock

## **AGENDA**

**1. Apologies for Absence and Notification of Substitute Members**

**2. Declarations of Interest**

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

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

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

**4. Minutes (Pages 7 - 12)**

To confirm as a correct record the Minutes of the meeting of the Committee held on 17 March 2021

**5. Chairman's Announcements**

To receive communications from the Chairman.

## 6. **Urgent Business**

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

## 7. **Monthly Performance, Risk and Finance Monitoring Report** (Pages 13 - 76)

Report of Director of Finance and Head of Insight and Corporate Programmes

### **Purpose of report**

This report summarises the Council's Performance, Risk and Finance monitoring positions as at the end of March 2021. The Committee will focus on the risk elements of the report.

### **Recommendations**

The meeting is recommended:

- 1.1 To note the risk aspects of the monthly Performance, Risk and Finance Monitoring Report.
- 1.2 To note the revised Risk and Opportunities Management Strategy 2021-22.

## 8. **Housing Benefit Subsidy** (Pages 77 - 82)

Report of the Director of Finance

### **Purpose of report**

To provide members of this Committee with an update on the Housing Benefit subsidy claim audit for the financial year 2019-2020.

### **Recommendations**

The meeting is recommended:

- 1.1 To note the contents of the report

## 9. **Final 2019/20 Annual Audit Letter** (Pages 83 - 112)

Report of the Director of Finance

### **Purpose of report**

To make the Committee aware of the final 2019/20 Annual Audit Letter and 2019/20 Audit Fee

### **Recommendations**

The meeting is recommended to:

- 1.1 Note the final 2019/20 Annual Audit Letter
- 1.2 Note the £101,410 audit fee for work over and above the 2019/20 scale fee of £40,138.

**10. 2020/21 Statement of Accounts Review (Pages 113 - 118)**

\*\*\* The appendices to this report will follow as they are currently being reviewed and finalised \*\*\*\*

Report of Director of Finance

**Purpose of report**

To provide an opportunity for review of the draft 2020/21 Statement of Accounts.

**Recommendations**

The meeting is recommended:

- 1.1 To note the report and raise any queries on the draft statement of accounts (Appendix 1).
- 1.2 To approve the accounting policies as approved by the Chief Finance Officer (Appendix 2).
- 1.3 To approve the draft Annual Governance Statement for 2020/21 (Appendix 3).

**11. Annual Report of the Chief Internal Auditor 2020/21 (Pages 119 - 144)**

Report of the Chief Internal Auditor

**Purpose of report**

This is the annual report of the Chief Internal Auditor, summarising the outcome of the Internal Audit work in 2020/21, and providing an opinion on the Council's System of Internal Control.

**Recommendations**

The committee is recommended to:

- 1.1 Consider and endorse this annual report.

**12. Internal Audit Strategy and Plan 2021/22 (Pages 145 - 160)**

Report of the Director of Finance

**Purpose of report**

The report presents the Internal Audit Strategy and Plan for 2021/22.

## **Recommendations**

The meeting is recommended:

1.1 to note and comment on the Internal Audit Strategy and Plan for 2021/22.

### **13. Treasury Management Outturn Report - 2020-21 (Pages 161 - 174)**

Report of the Director of Finance

#### **Purpose of report**

To receive information on treasury management performance and compliance with treasury management policy and Prudential Indicators for 2020-21 as required by the Treasury Management Code of Practice.

#### **Recommendations**

The meeting is recommended:

1.1 To note the contents of the 2020-21 Treasury Management Outturn Report.

1.2 To recommend Council to note the Council's Treasury Management Activity in 2020-21.

### **14. Work Programme (Pages 175 - 176)**

To consider and review the Work Programme.

**Councillors are requested to collect any post from their pigeon hole in the Members Room at the end of the meeting.**

## **Information about this Meeting**

### **Apologies for Absence**

Apologies for absence should be notified to [democracy@cherwell-dc.gov.uk](mailto:democracy@cherwell-dc.gov.uk) or 01295 221554 prior to the start of the meeting.

### **Declarations of Interest**

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

### **Local Government and Finance Act 1992 – Budget Setting, Contracts & Supplementary Estimates**

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

## **Evacuation Procedure**

When the continuous alarm sounds you must evacuate the building by the nearest available fire exit. Members and visitors should proceed to the car park as directed by Democratic Services staff and await further instructions.

## **Access to Meetings**

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named below, giving as much notice as possible before the meeting.

## **Watching Meetings**

Please note that Council meetings are currently taking place in person (not virtually) with social distancing at the meeting. Meetings will continue to be webcast and individuals who wish to view meetings are strongly encouraged to watch the webcast to minimise the risk of COVID-19 infection.

Places to watch meetings in person are very limited due to social distancing requirements. If you wish to attend the meeting in person, you must contact the Democratic and Elections Team [democracy@cherwell-dc.gov.uk](mailto:democracy@cherwell-dc.gov.uk) who will advise if your request can be accommodated and of the detailed COVID-19 safety requirements for all attendees.

Please note that in line with Government guidance, all meeting attendees are strongly encouraged to take a lateral flow test in advance of the meeting.

## **Mobile Phones**

Please ensure that any device is switched to silent operation or switched off.

## **Queries Regarding this Agenda**

Please contact Sharon Hickson, Democratic and Elections [democracy@cherwell-dc.gov.uk](mailto:democracy@cherwell-dc.gov.uk), 01295 221554

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

Published on Friday 11 June 2021

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## **Cherwell District Council**

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

Minutes of a meeting of the Accounts, Audit and Risk Committee held at Virtual meeting, on 17 March 2021 at 6.30 pm

#### Present:

Councillor Mike Kerford-Byrnes (Chairman)  
Councillor Hugo Brown (Vice-Chairman)  
Councillor Nathan Bignell  
Councillor Nicholas Mawer  
Councillor Tom Wallis  
Councillor Sean Woodcock

#### Substitute Members:

Councillor Shaida Hussain (In place of Councillor Hannah Banfield)

#### Also Present:

Councillor Barry Wood; Leader of the Council  
Maria Grindley, Associate Partner, Ernst & Young (external audit)  
Sue Gill, Ernst & Young (external audit)

#### Apologies for absence:

Councillor Hannah Banfield  
Councillor Conrad Copeland

#### Officers:

Lorna Baxter, Director of Finance & Section 151 Officer  
Anita Bradley, Director Law and Governance & Monitoring Officer  
Michael Furness, Assistant Director Finance  
Sarah Cox, Chief Internal Auditor  
Belinda Green, Operations Director - CSN Resources  
Joanne Kaye, Strategic Business Partner  
Shaista Moughal, Strategic Business Partner  
Louise Tustian, Head of Insight and Corporate Programmes  
Celia Prado-Teeling, Performance Team Leader  
Sharon Hickson, Democratic and Elections Officer  
Natasha Clark, Governance and Elections Manager

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### **Declarations of Interest**

There were no declarations of interest.

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

There were no petitions or requests to address the meeting.

55 **Minutes**

The Minutes of the meeting of the Committee held on 20 January 2021 were agreed as a correct record and signed by the Chairman.

56 **Chairman's Announcements**

Members were informed that item 10 – External Audit update would be presented before item 7 Monthly Performance, Risk and Finance Monitoring report.

57 **Urgent Business**

There were no items of urgent business.

58 **Monthly Performance, Risk and Finance Monitoring Report - January 2021**

The Director of Finance, and Head of Insight and Corporate Programmes submitted a report summarising the Council's Performance, Risk and Finance monitoring position as at the end of January 2021.

The Head of Insight and Corporate Programmes reminded Members that the Committee was responsible for monitoring the risk aspects of the report and reported the significant changes to the Leadership Risk Register.

**Resolved**

- (1) That the risk aspects of the monthly Performance, Risk and Finance Monitoring Report be noted

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

The Director of Finance submitted a report providing members with an update on the Risk Based Verification (RBV) module including any impacts on the service and to seek approval for the RBV Policy for 2021-2022.

The Operations Director CSN Resources informed Members that in recognition of COVID-19 pandemic the Department of Work and Pensions had introduced the Trust and Protect principle, which allowed local authorities to accept scanned or photocopied documents rather than original documents. Once restrictions had eased, the required evidence would be requested.



**Resolved**

- (1) That the contents of the report be noted.
- (2) That having given due consideration the Risk Based Verification policy for the financial year 2021-2022 be approved

60 **Internal Audit Progress Report 2020/21**

The Director of Finance submitted a report which presented the Internal Audit Progress for 2020/21.

The Chief Internal Auditor informed the Committee that all counter fraud posts had now been filled, with the final Counter Intelligence Officer now in post.

The Chief Internal Auditor highlighted the significant reduction of outstanding management actions for 2018/19 and 2019/20, informing Members that 14 actions for 2018/19 and 18 actions for 2019/20 remained open. The remaining outstanding actions would continue to be reviewed and followed up with the senior management team.

**Resolved**

- (1) That the progress with the 2020/21 Internal Audit Plan and the outcome of the completed audits be noted.

61 **External Audit Update**

The Director of Finance submitted a report for consideration by Members, containing changes to be incorporated to the draft statement of accounts.

The Assistant Director of Finance gave a brief overview of the 2019/20 accounts, advising Members that as part of the audit carried out there had been material changes to the accounts since the January committee meeting to make corrections identified by management or to address issues raised by the external audit.

Ernst and Young, the council's external auditor, provided an overview of the status of the audit and thanked the Finance department for their assistance during the audit of the accounts.

**Resolved**

- (1) That the Statement of Accounts 2019/20 with the changes in the annex to the Minutes (as set out in the Minute Book) already added, be endorsed, and once the final audit opinion is received the Director Finance (S151 Officer), in consultation with the Chair of the Accounts, Audit and Risk Committee (or Vice Chair in case the Chairman is

unavailable) be authorised to sign the accounts and it be noted that if any material changes to the accounts are required, then an additional committee meeting would be convened to consider the changes.

- (2) That it be agreed that the Director of Finance, in consultation with the Chair of the Committee (or Vice Chair in their absence), can make any further changes to the letters of representation that may arise during completion of the audit.

62 **Treasury Management Report - Q3 2020-21**

The Director of Finance submitted a report providing information on treasury management performance and compliance with treasury management policy for 2020-21 as required by the Treasury Management Code of Practice.

**Resolved**

- (1) That the contents of the Quarter 3 2020/21 Treasury Management Report be noted.

63 **Changes to Accounts, Audit & Risk Committee Terms of Reference**

The Director of Law & Governance and Monitoring Officer submitted a report which recommended changes to the Terms of Reference for the Accounts, Audit & Risk Committee.

The Director of Law & Governance and Monitoring Officer informed Members that the proposed Terms of Reference extended the areas that would be reported to the Committee and confirmed that the amendments were aligned to current best practise and based on the Chartered Institute of Public Finance and Accountancy (CIPFA) model template.

**Resolved**

- (1) That having given due consideration, the new Terms of Reference for Audit & Risk Committee, as set out in the annex to the Minutes (as set out on the Minutes Book) be endorsed and recommended to full Council for approval.

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

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

**Resolved**

- (1) That the draft Annual Report of the Accounts, Audit and Risk Committee be endorsed and it be agreed that the Director of Finance,

in consultation with the Chair of the Committee (or Deputy Chair in their absence), can make any further amendments and finalise the Annual Report of the Accounts Audit and Risk Committee for presentation at full Council

65 **Work Programme**

The Assistant Director of Finance gave an overview of the indicative work programme for the 2021/2022 municipal year.

**Resolved**

- (1) That the work programme be noted.

The meeting ended at 7.40 pm

Chairman:

Date:

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## **Cherwell District Council**

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

**21 June 2021**

### **Monthly Performance, Risk and Finance Monitoring Report**

### **Report of Director of Finance and Head of Insight and Corporate Programmes**

This report is public.

#### **Purpose of report**

This report summarises the Council's Performance, Risk and Finance monitoring positions as at the end of March 2021. The Committee will focus on the risk elements of the report.

#### **1.0 Recommendations**

The meeting is recommended:

- 1.1 To note the risk aspects of the monthly Performance, Risk and Finance Monitoring Report.
- 1.2 To note the revised Risk and Opportunities Management Strategy 2021-22

#### **2.0 Introduction**

- 2.1 The Council is committed to performance, risk and budget management and reviews progress against its corporate priorities on a monthly basis.
- 2.2 This report provides an update on progress made during March 2021 and reflects on the past 12 months (annual review – Appendix 5) in delivering the Council's priorities through reporting on Performance, the Leadership Risk Register and providing an update on the financial position.
- 2.3 The Council's performance management framework sets out the key actions, projects and programmes of work that contribute to the delivery of the 2020-21 business plan and the priorities of the Council. These measures and key performance indicators are reported on a monthly basis to highlight progress, identify areas of good performance and actions that have been taken to address underperformance or delays.
- 2.4 As part of monthly reporting, the Insight Team provides the Senior Management Team with a corporate complaints report. Complaints received during the month are monitored and analysed. The mandatory lessons learned data have been implemented for more than a year now and we are starting to see a decrease in the number of upheld complaints. Lessons learned are reported to CEDR (Chief Executive Direct Reports) and

progress is monitored to ensure actions are implemented to avoid the same complaint being reported.

2.5 The Council maintains a Leadership Risk Register that is reviewed on a monthly basis. The latest available version of the risk register (at the date this report is published) is included in this report (appendix 1).

2.6 The report details section is split into three parts:

- Performance Update
- Leadership Risk Register Update
- Finance Update

2.7 There are two appendixes to this report:

- Appendix 1 - Leadership Risk Register
- Appendix 2 - Risk and Opportunities Management Strategy 2021-22



### 3.0 Report Details


3.1 The Council’s performance management framework sets out key actions, projects and programmes of work that contribute to deliver the 2020-21 business plan (see Appendix 1) and the priorities of the Council.

3.2 The 2020-21 business plan sets out four strategic priorities:

- Housing that meets your needs
- Leading in environmental sustainability
- An enterprising economy with strong and vibrant local centres
- Healthy, resilient and engaged communities

3.3 This report provides a summary of the Council’s performance in delivering against each strategic priority. To measure performance a ‘traffic light’ system is used. Where performance is on or ahead of target it is rated green, where performance is slightly behind the target it is rated amber. A red rating indicated performance is off target. The 2020/21 annual review is a reflection of the last 12months and highlights some of the successes achieved during a year of challenge and through a pandemic. This annual review spans all the services supporting the delivery of the priorities.

Colour	Symbol	Tolerances for Business Plan Measures	Tolerances for Key Performance Measures (KPIs)
<b>Red</b>		Significantly behind schedule	Worse than target by more than 10%.
<b>Amber</b>		Slightly behind schedule	Worse than target by up to 10%.

<b>Green</b>		Delivering to plan / Ahead of target	Delivering to target or ahead of it.
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**Priority: Housing that meets your needs**

3.4 The Council is committed to deliver affordable housing, raising the standard of rented housing and find new and innovative ways to prevent homelessness. Also, to promote innovative housing schemes, deliver the local plan and supporting the most vulnerable people in the District.

3.5 **Overview of our performance against this strategic priority:**



**Number of Homeless Households living in Temporary Accommodation** is reporting Green for March and Amber for year end, with numbers of homeless people being placed in temporary accommodation increasing to 31. Of those, 14 single clients have been accommodated as result of COVID-19. Further plans are to accommodate people out of the hotel placements and concerns increase as Courts and eviction proceedings are to resume which

may see numbers of families seeking emergency placement also increasing. Overall, 145 individuals have been accommodated by CDC as a result of the COVID-19 emergency. Of those, 56 moved from hotels to supported housing, 32 moved into permanent accommodation and 14 remain in hotels, however, 9 of those have an identified move-on plan.

**Number of Housing Standards interventions** is reporting Green for March and Amber for year end, with 78 interventions recorded against a target of 55 in March and 676 interventions against 660 for the year. Of those were 118 enforcement notices, 457 service requests and 101 proactive interventions. Regardless, the ability to carry out responsive or proactive visits to rented properties has been restricted and the ability to implement formal enforcement has been reduced due to COVID-19.

**Average time taken to process Housing Benefit New Claims** is reporting Green for March and year end, which was excellent on a 10 days average mark against a target of 15 days for March and 13 days out of target of 15 days for the year. COVID-19 presented a challenge as we registered a sharp increase on the number of new claims, but our team has delivered outstandingly delivering below the national average of 20 days.

**Deliver Innovative and Effective Housing Schemes** is reporting Amber for March and Green for Year end. Two shared ownerships, at Admiral Holland, have been completed. Sales have been going well, at Admiral Holland, as well as the development of three bungalows, at Bullmarsh Close, which is due and on target for May.

**Number of people helped to live independently through use of DFG & other grants/loans** is reporting Amber for March and Amber for Year end. 43 Households have been provided with help. Of those, 17 with major adaptations, 26 with smaller works done to the property. Despite the team efforts under COVID-19 rules, it is still a challenge to perform because measures remain in place for the security of staff and contractors and to safeguard elderly and vulnerable people which restricts access to client's homes to undertake surveys and works.



**Delivering the Local Plan** is reporting Amber for March and Year end. With the continued preparatory Plan on its way to the next stage for the District wide Local Plan Review and providing input for the Oxfordshire Plan process, the timetable of the latter is being reviewed to assess delays. An application of the Statutory Review for the adoption of the Local Plan Partial Review, which is a legal challenge, has been logged with the Planning Court and served to Council Court hearings are expected in June.

**Number of people helped to live independently through use of DFG & other grants/loans** is reporting Amber for March and Year end with 43 households supported. Of the households helped, 17 were by major adaptations and 26 by smaller works done to the property. There is still restricted access to homes experienced by our team and contractors as a result of measures in place due to COVID-19. Both surveys and works needing undertaking are affected by this, especially with the compliance to protect our elderly and most vulnerable clients.

**Maintain 5 Year Land Supply** is reporting Amber for March and Red for Year end. We registered a 4.7-year average, out of the targeted 5, in the Annual Monitoring Report. Slightly under the target, however, there is a predicted 1,172 completions which account for 13 more housing completions than last year and 30 more than the Local Plan requirement for Cherwell, which is due to be confirmed later. The monitoring period, for the five-year supply for Oxford's needs, commenced on 1st April 2021.

**Homes improved through enforcement action** is reporting Red for March and Year end. Only 3 out of our target of 9 homes have been improved by means of enforcement action with 2 requiring work-in-default (where the Council organises work at the expense of notice of recipients who have failed to act), which are underway. COVID-19 limitations to inspect and investigate premises contributed on reducing the ability of contractors to undertake works and staff ability to inspect and investigate premises.

**Number of affordable homes delivered including CDC and Growth Deal targets** is reporting Red for March and Amber for Year end. 11 affordable homes have been completed against a target of 25, for March. 9 by affordable rent and 2 by shared ownership tenure, none delivered via Growth Deal funding. Some completions have been delayed because of knock-on effects caused by site closures as a result of earlier lockdown measures. Also, some developers have shifted build schedules to focus on market properties whilst market sales are going well.

### **Priority: Leading in environmental sustainability**

3.6 The Council is committed to deliver on sustainability and in the commitment to be carbon neutral by 2030, promotes the Green Economy and increases recycling across the district. This priority includes the protection of our natural environment and our built heritage, working in partnerships to improve air quality in the district and the reduction of environmental crime.

3.7 **Overview of our performance against this strategic priority:**



**Delivering high Quality Waste & Collection Service to all Properties** is reporting Green for March and Year end. We have managed collection of an additional 7,000 tons of waste, during this pandemic and preparations for development of separate food waste collections from this Autumn is well under way.



**Ensure Clean & Tidy Streets** is reporting Green for March and Year end. All areas have been covered, despite occurrences of staff self-isolating. All staff are now back at work and able to assist with distribution of litter-picking equipment, this way persons wishing to litter-pick in their local areas, including the collection of waste and recyclable materials, can do so.

**Protect Our Natural Environment and Promote Environmental Sustainability** is reporting Green for March and Year end. The application for an air quality grant (from the Department for Environment Food and Rural Affairs) was successful, and we have received £17,300 to purchase monitors and promotional material which have been used on projects that increase awareness and encourage changes to improve air quality, along with monitors that will be acquired for schools, doctors' surgeries and hospitals.

**Protect the Built Heritage** is reporting Amber for March and Year end. Conservation advice continues to be provided to inform Development Management decision making. Conservation Area Appraisals require finalisation as higher caseloads are being experienced

**Waste Recycled & Composted** is reporting Amber for March and Year end. With the tonnage increased by 0.5% (a good achievement in difficult times), 7,067 additional tons of waste have been collected (10 times the annual increase) which equals 10 more bins collected per household in Cherwell. 677 additional journeys have been completed and still residents received uninterrupted service throughout.



**Reduction of fuel consumption used by fleet** is reporting Red for March and Amber for Year end. We have consumed slightly more fuel used than this time last year. Although our recycling numbers have increased, and 7,067 additional tons of waste has been collected with 677 additional journeys.

## **Priority: An enterprising economy with strong and vibrant local centres**

3.8 The Council is committed to support business retention and growth, developing skills and generating enterprise; also, securing infrastructure to support growth in the district and securing investment in our town centres. This priority also contributes towards making communities thrive and businesses grow promoting the district as a visitor destination, committing to work with businesses to ensure compliance and promote best practice.

3.9 **Overview of our performance against this strategic priority:**

**Support Business Enterprise, Retention, Growth and Promote Inward Investment** is reporting Green for March and Year end. Support has been maintained by updated webpages, directly with enterprises and collaborations. The



focus was COVID-19 and EU transition. Collaboration with Oxford County Council and partners continued enabling enhancement of digital infrastructure throughout the district. 98% of premises, in the district, can access Superfast Broadband services.

**Deliver the Growth Deal** is reporting Green for March and Year end. We are still engaged and active participants in the Oxfordshire Housing and Growth Deal. A local officer Programme Board has been established for Cherwell, which is reviewed on a monthly basis, covering the four workstreams of affordable housing. In this 5-year programme Cherwell enters year four and has plans to progress through the Council's officer decision-making process.

**Develop Our Town Centres** is reporting Green for March and Year end. Works are under way to deliver on progress of key elements of delivering outlined plans to town centres vitality and ensure continued safety on high streets within the district. Our team continues to review the impact of COVID-19 in our urban centres and will work closely with officer groups and partners to ensure that high streets reopen safely, once restrictions are lifted.



**% of Council Tax collected, increase Council Tax Base** is reporting Green for March and Amber for Year end. Collection, for March, on the mark of 3% against 1% target, and running slightly behind in the annual figure at 97.46% against 97.75%, accounts for a shortfall of £1.88m. This is due to the huge impact COVID-19 restrictions have had on collection rates despite the team efforts issuing reminder notices, final notices, summonses and obtaining liability orders through the Magistrates Court, and outbound calls. Also, summonses given to those Council taxpayers who had not paid their reminder notices and the reduced number of reminders and final notices restricted to the number of cases that could be heard at the Magistrates Court. A local officer Programme Board has been established for Cherwell, which reviews monthly the four workstreams of affordable housing.

**% of Business Rates collected, increasing NNDR Base** is reporting Green for March and Amber for Year end. With a 3.31% above the target for March, of 2.5%, and just behind annual target at 97.61%, of 98.5% target. Shortfall equates to approximately £408K. Still, despite the limitations caused by COVID-19 restrictions, all outstanding balances have been chased by telephoning debtors, with conversations discussing possible entitlements to reduction in rates payable. Businesses that still had debts outstanding were issued with summons, if the reminder or final notice remained unpaid.

## **Priority: Healthy, resilient and engaged communities**

3.10 The Council is committed to enabling all residents to lead an active life, improving and developing the quality of local sports and leisure facilities and promoting health and wellbeing in our communities. Also, supporting community and cultural development, working with our partners to address the causes of health inequalities and deprivation, and to reduce crime and anti-social behaviour.

3.11 **Overview of our performance against this strategic priority:**

**Support Community Safety and Reduce Anti-Social Behaviour** is reporting Green for March and Amber for Year end. Commitments to reduce crime and anti-social behaviour include; patrols around schools and parks, responding to claims of bullying raised by parents, concerns of drug dealings, off-road motorbikes and anti-social behaviour in general. Seizure of an illegal scrap metal collector van was featured by the Banbury Guardian and social media communications, with crime prevention advice and information sharing, which was read by over 25,000 people, although cycling initiatives are still pending due to discussions with Oxford County Council. The focus now is to oversee the distribution of an additional £50,000 in winter support grant.

**Support the Voluntary Sector** is reporting Green for March and Amber for Year end. Several events have been successfully supported to mention Cherwell Food Network, North Banbury Network partnership, Age Friendly Banbury partnership, with Community Link March publication distributed to voluntary organisations and two new older people's information & activity sheets produced. Activities and partnerships that bring together key stakeholders and voluntary organisations, to work on initiatives together with us and support people specially during lockdown restrictions.

**Enhanced Community Resilience** is reporting Green for March and Amber for Year end. With continued work with our partners in response to the pandemic, offering support to people who needed to isolate or shield. Also, supporting the vaccination programme by visiting the addresses of people that had not responded to invitations to book a vaccination.

**Number of visits / usages of District Leisure Centre** is reporting Red for March and Year end. The usage figures are considerably down for the same period of last year. This was expected as the Centres were still open in March, but remained closed due to the Government restrictions at some period in March, however, outdoor 'organised' sport was allowed to return and some utilisation figures for Stratfield Brake, Whitelands, North Oxfordshire Academy and Cooper School have been registered. In addition, the Outdoor Pool at Woodgreen Leisure Centre was able to re-open for the same period.



## Summary of Performance

3.12 The Council reports monthly on performance against 41 Business Plan Measures, with 22 Programme Measures and 19 Key Performance Indicators.

### Programme Measures and Key Performance Indicators (41)

Status	Description	March	%	DoT	YTD	YTD %
Green	On target	30	73%	↑	28	68%
Amber	Slightly off target	6	14%	↔	9	22%
Red	Off target	4	10%	↓	3	7%
	No data	1	3%	NA	1	3%

Please note that the KPI measure “High risk food businesses inspected” ceased reporting due to the Food Standards Agency changing the national food law enforcement programme as a consequence of COVID-19. Food safety will be assured through alternative, targeted measures.

### **Risk Update**

3.13 The Council maintains a Leadership Risk Register that is reviewed on a monthly basis. The latest available version of the risk register (at the date this report is published) is included in this report.

3.14 The heat map below shows the overall position of all risks contained within the Leadership Risk Register.

### **Risk Scorecard – Residual Risks**

		Probability				
		1 - Remote	2 - Unlikely	3 - Possible	4 - Probable	5 - Highly Probable
Impact	5 - Catastrophic			L09		
	4 - Major			L04, L07, L11, L12, L21 & L22	L01, L17, L19 & L20	
	3 - Moderate		L16	L02, L05, L14, L15 & L18	L08	
	2 - Minor				L10	
	1 - Insignificant					

3.15 The table below provides an overview of changes made to the Leadership Risk Register during the past month. Any significant changes, since the publication of the report, will be reported verbally at the meeting.

Leadership Risk	Score	Direction	Latest Update
<b>L01</b> Financial Resilience	16 High risk	↔	Risk reviewed 15/04 – Mitigations and comments updated
<b>L02</b> Statutory functions	9 Low risk	↔	Risk Reviewed 15/04 – Comments updated
<b>L04</b> CDC Local Plan	12 Medium risk	↔	Risk Reviewed 09/04 – Risk owner and comments updated
<b>L05</b> Business Continuity	9 Low risk	↔	Risk Reviewed 12/04 – No changes
<b>L07</b> Emergency Planning	12 Medium risk	↔	Risk Reviewed 12/04 - Controls assessment and comments amended.
<b>L08</b> Health & Safety	12 Medium risk	↔	Risk Reviewed 07/04 – Risk manager, mitigating actions and comments updated

<b>L09</b> Cyber Security	15 Medium risk	↔	Risk Reviewed 13/04 - No changes
<b>L10</b> Safeguarding the Vulnerable	8 Low risk	↔	Risk Reviewed 12/04 – Mitigating actions updated
<b>L11</b> Sustainability of Council owned companies and delivery of planned financial and other objectives.	12 Medium risk	↔	Risk Reviewed 15/04 - Potential Impact updated
<b>L12</b> Financial sustainability of third-party suppliers including contractors and other partners	12 Medium risk	↔	Risk Reviewed 15/04 – No changes
<b>L14</b> Corporate Governance	9 Low risk	↔	Risk reviewed 15/04 – Comments updated
<b>L15</b> Oxfordshire Growth Deal	9 Low risk	↔	Risk Reviewed 14/04 - Comments updated
<b>L16</b> Joint Working	6 Low risk	↔	Risk Reviewed 15/04 – No changes
<b>L17</b> Separation	16 High risk	↔	Risk Reviewed 15/04 – No changes
<b>L18</b> Workforce Strategy	9 Low risk	↔	Risk reviewed 10/03 – No changes
<b>L19</b> Covid19 Community and Customers	16 High risk	↔	Risk reviewed 08/03 - Comments updated
<b>L20</b> Covid19 Business Continuity	16 High risk	↔	Risk reviewed 15/04 – No changes
<b>L21</b> Post Covid19 Recovery	12 Medium risk	↔	Risk reviewed 15/04 – No changes
<b>L22</b> Elections May 2021	12 Medium risk	↔	Risk reviewed 15/04 – Mitigating actions and comments updated

During March the leadership risk had no score changes.

## Finance Update

3.16 The Council's financial position for 2020/21 at the end of March shows a £0.087m underspend. This is made up of a £3.744m overspend related to Covid-19 costs (para 3.19), which is offset by a £3.831m underspend on business as usual costs.

3.17 The Council has incurred costs and lost income during 2002/21 in relation to Covid-19 across all areas of the Council. In particular costs and lost income have been incurred in the following areas:

- Car parking income
- Planning Application fee income
- Support for leisure services

3.18 The overall cost of Covid-19 was £7.423m for 2020/21. This is partially met by Covid-19 support grant funding of £2.045m in 2020/21 and an estimated income of £1.634m from the Sales, Fees and Charges Income Guarantee scheme towards income losses. This reduces the net in-year Covid-19 financial pressure to £3.744m.

3.19 On 7 September 2020, Council approved a revised 2020/21 budget to help it meet the expected funding shortfall for the 2020/21 financial year after government funding is taken into consideration.

3.20 The proposed transfer of funding to reserves to be used 2021/2022 has been included in appendix 6 to this report. The Executive is recommended to approve these transfers in line with the descriptions provided.

### 3.21 Report Details

Table 1: Forecast Revenue Outturn

<b>Revenue Monitoring</b>	<b>Revised Budget £m</b>	<b>BAU £m</b>	<b>Covid £m</b>	<b>Total Outturn £m</b>	<b>Variance to Budget £m</b>	<b>Prior Month Forecast £m</b>	<b>Change in Forecast £m</b>
Environment and Place	6.435	6.733	-0.825	5.908	-0.527	6.961	-1.053
Customers and Org. Dev. And Resources	6.520	5.643	0.446	6.089	-0.431	6.786	-0.697
Adults and Housing Services	1.577	1.181	0.215	1.396	-0.181	1.397	-0.001
Public Health and Wellbeing	3.453	2.014	1.679	3.693	0.240	4.123	-0.430
Comm. Dev. Assets and Inv.	-1.479	-4.013	2.743	-1.270	0.209	-1.270	0.000
<b>Total Directorates</b>	<b>16.506</b>	<b>11.558</b>	<b>4.258</b>	<b>15.816</b>	<b>-0.690</b>	<b>17.879</b>	<b>-2.063</b>
Executive Matters	9.098	9.565	-0.514	9.051	-0.047	7.732	1.319
<b>Total Cost of Services</b>	<b>25.604</b>	<b>21.123</b>	<b>3.744</b>	<b>24.867</b>	<b>-0.737</b>	<b>25.611</b>	<b>-0.744</b>

<b>Total Income</b>	<b>-25.604</b>	<b>-24.954</b>	<b>0.000</b>	<b>-24.954</b>	<b>0.650</b>	<b>-25.604</b>	<b>0.650</b>
<b>(Surplus)/Deficit</b>	<b>0.000</b>	<b>-3.831</b>	<b>3.744</b>	<b>-0.087</b>	<b>-0.087</b>	<b>0.000</b>	<b>-0.094</b>

Note:

1. Prior month forecast adjusted to take account of use of reserves to make forecast figures comparable
2. The numbers contained in this report are subject to change with the finalisation of the accounts
3. There was a £21.551m underspend on income due to grants being received before they needed to be spent. This has been transferred to reserves.

## Environment and Place

Environment and Place have an underspend of (£0.527m) against a revised budget of £6.435m (8.2%).

Environment and Waste	There is a (£0.001m) underspend reported this year. The main pressures have been in employment costs due to significant sickness and the requirement of agency staff cover £0.439m. Offsetting this is a (£0.139m) reduction in transport/contractor costs for gate & transfer fees and a reduction in commercial waste costs. Premises costs were higher than expected by £0.031m and there was a (£0.013m) saving on supplies and services. On the revised budget (£0.319m) more income than expected was received from car parks, refuse bin contributions and a review of S106 commuted sums.
Variation (£0.001m) underspend	
Variance to last month's forecast (£0.338m)	The S106 income is the main reason for the movement from the February forecast.
Planning & Development	Planning have reported an underspend of (£0.372m). (£0.400m) of this variation is reduced expenditure on Consultancy of which (£0.180m) had previously been forecast to be carry forward and
Variation (£0.372m) underspend	A legal case resulted in (£0.048m) reduction in spend due to the final costs being less than expected. Staff cost savings of (£0.092m) were offset by an overspend of £0.157m on Agency costs across the service. Building Regulations fee income was (£0.031m) higher than expected whilst planning application fee income was £0.169m less than budgeted. There were further savings of (£0.067m) on professional fees and (£0.060m) other savings across the service.
Variance to last month's forecast (£0.531m)	

The (£0.531m) change from the February forecast is made up of (£0.317m) underspend on Planning Policy Consultants due to removal of the carry forward request. (£0.095m) saving in legal fees while (£0.075m) more income was received than forecast and (£0.044m) other savings were achieved across the service.

Growth & Economy	Growth & Economy is reporting an underspend of (£0.154m). This is made up of the following overspends: £0.035m due to the cessation of the Transport Strategy joint working agreement with South Northamptonshire. £0.100m overspend in Build! made up the Sanctuary rent collection service, consultancy/professional fees and lower than expected recharge of officer time to the capital programme. Offsetting these there were underspends of (£0.013m) income from support provided to develop the Park & Charge project, (£0.100m) on the Kidlington masterplan programme (delays due to Covid-19), (£0.044m) saving in consultancy costs and (£0.132m) saving on Senior Management Team joint working costs.
Variation (£0.154m) underspend	
Variance to last month's forecast (£0.184m)	

The (£0.184m) movement to the February forecast is reduced expenditure on a growth deal post and the Kidlington masterplan that was forecast to carry forward to 2021/22 offset in part by a recharge to revenue for officer time on a capital project and higher than expected rent and repair costs

Growth and Economy's have Covid-19 grant income of (£3.065m) which includes funding received from the Government to pay out to businesses in the local community. This income that is yet to be spent has been recognised here but is included in Executive Matters as a transfer to reserves at year end to be released against spend in 2021/22

## **Customers and Organisational Development**

Customers & Organisational Development have an underspend of (£0.431m) against a revised budget of £6.520m (6.6%).

HR/IT/Comms/Cultural Services	The underspend in Customer Services (£0.207m) is mostly due to Land Charges as income recovered faster than expected.
Variation (£0.407m)	Comms are showing an underspend of (£0.140m).



<p>underspend</p> <p>Variance to last month's forecast (£0.267m)</p>	<p>This underspend and movement from last month is mainly due to carry forward request of £0.136m from consultants and professional fees savings being built into the forecast that are no longer assumed. HR now show an underspend of (£0.072m) across Occupational Health, Computer Software and Training due to a carry forward previously being assumed.</p> <p>IT offset part of the above underspends with a £0.012m overspend.</p>
<p>Finance</p> <p>Variation (£0.024m) underspend</p> <p>Variance to last month's forecast (£0.430m)</p>	<p>Finance are reporting on target with an overspend of £0.002m. Finance staffing and agency costs linked to developing capacity for the closure of accounts and additional work linked to the national lockdown have been offset by additional income from new burdens funding.</p> <p>Revenues and Benefits have an underspend of (£0.026m). Within this, there was an overspend of £0.022m in Council Tax driven mostly from unbudgeted costs on contractor revenue payments and Computer Software licensing offset in part by additional income received. Rent Allowances achieved a (£0.041m) underspend made up of additional income from Department of Work and Pensions and New Burdens funding (£0.253m) was offset in part by additional contractor payments £0.098m, Housing Benefit Rent allowance £0.107m and £0.007m other overspends. There were (£0.007m) other minor underspends across the service.</p> <p>The main movements from last month are mostly from (£0.320m) additional income from new burdens funding, court costs and overpayments recovered being higher than expected. In addition, the new finance system savings of (£0.043m) and (£0.067m) cost savings across the service</p>

### **Adults and Housing Services**

Adults and Housing Services have an underspend of (£0.181m) against a revised budget of £1.577m, (11.5%).

Housing & Social Care	The reported underspend of (£0.181m) is mainly due to (£0.120m) additional income for the Next Steps Accommodation Programme, following a successful Government grant application for this amount, (£0.031m) saving on Consultants fees, (£0.010m) saving as a result of a new contract for the Debt and Money advice service, (£0.010m) income from fines and HMO licences and a (£0.010m) saving against a storage contract.
Variation (£0.181m) underspend	
Variance to last month's forecast (£0.001m)	

## **Public Health & Wellbeing**

Public Health & Wellbeing show an overspend of £0.240m against a budget of £3.453m 7.0%

Wellbeing	The forecast overspend of £0.296m is a result of the impact of Covid-19 on leisure. The main cost is the contractual relief payments made to support the leisure operator during the pandemic and a loss of income from holiday hubs and hiring of sports facilities.
Variation £0.296m overspend	
Variance to last month's forecast (£0.374m)	The movement of (£0.374m) from February is mainly due to the budget previously being held in Executive matters being transferred to offset actual costs incurred with the leisure operator.

Healthy Place Shaping	The underspend of (£0.056m) relates to staff cost savings from joint working.
Variation (£0.056m) underspend	
Variance to last month's forecast (£0.056m)	

## **Commercial Development, Assets and Investments**

Comm. Dev. Assets and Invests. have an overspend of £0.209m against a revised budget of - £1.479m 14.1%.

Property	Property is forecasting a £0.480m overspend. The impact of Covid-19 has seen the Council's commercial properties lose rental income and incur additional costs from empty properties which has resulted in a £0.650m overspend. Conversely, as a result of the pandemic, savings of (£0.170m) have arisen due to reduced occupancy of Council premises and remote working.
Variation £0.480m overspend	
Variance to last month's forecast £0.240m	The £0.240m movement this month is mostly due to an increase in estimated Castle Quay lost income and void costs.
Procurement	The underspend (£0.048) is due to shared salary cost being less than expected offset in part by an overspend on agency costs
Variation (£0.048m) underspend	
Variance to last month's forecast (£0.138m)	The (£0.138m) movement from last month is due to the shared salary cost previously forecast not being as expected
Law and Governance	£0.012m overspend is due to use of agency staff partly offset by underspends in elections
Variation £0.012m overspend	
Variance to last month's forecast (£0.006m)	
Growth and Commercial	The underspend is mostly due to a vacant post not being filled.
Variation (£0.036m) underspend	
Variance to last month's forecast (£0.017m)	
Regulatory Services	The reported outturn is an underspend of (£0.199m); resulting from (£0.040m) underspend on staff costs (£0.020m) higher than forecast income and cost recovery for discretionary
Variation	

(£0.199m) underspend	services, (£0.050m) saving on professional/consultant's fees, Licensing income exceeding revised budget by (£0.060m) and other (£0.029m) savings across the service.
Variance to last month's forecast (£0.079m)	The movement from last month is due to salary savings

## **Executive Matters**

Executive Matters has an underspend of (£0.047m) against the budget of £9.098m (0.5%).

Covid Grant Funding	Funding received as Covid-19 Grants is (£0.504m) higher than anticipated when the revised budget was set which is an increase of (£0.030m) from last month.
Interest	There is an adverse variance of £0.207m due to a delay in drawing down £4m loan funds and S106 interest costs.  This is a £0.107m movement from the forecast in February.
Bad Debt	A year end adjustment to the Bad Debt provision has been made at £0.095m which wasn't reflected in the February forecast.
MRP	There is underspend of (£0.541m) in respect of the amount required to be set aside for the Minimum Revenue Provision which is more than anticipated in February by (£0.123m)
Reserves	The council has used £0.784m less reserves than budgeted. This was previously forecast with a £0.000m variance to budget.  The budget included (£0.230m) for Canalside which wasn't drawn upon in 2020/21, also included was a budget for Growth Deal for (£1.217m) of which only £0.742m was transferred leaving a variance of £0.475m. The remaining variance of £0.079m is made up over the other reserves that were planned to used.
Pension Costs	Pension costs are £0.016m higher than budgeted and then shown in last month's forecast.

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**Corporate**

Corporate costs are showing a (£0.105m) underspend, this is due to (£0.065m) budgeted spend being held here for Wellbeing support that was not required, (£0.041m) funding from S106 being recognised and other minor variances.

The movement from last month of £0.360m is mostly budget being held here for Wellbeing to meet costs being transferred to the service

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## **Income**

Council income has an overspend of £0.650m against the budget of -£25.604m (2.5%).

2020/21 has been a particularly challenging year for businesses. However, they have received significant levels of support from the Government. Many businesses classified as “non-essential” qualified for up to 100% reductions in their business rates liability. Growth in the businesses was also not as high as expected when the budget was set. These reductions in liability and reductions in business growth mean that associated S31 Grant income is at £0.394m lower to that originally assumed.

Due to the reduction in growth of businesses, the benefits from the Council’s business rates pool are also £0.256k lower than anticipated.

## **3.23 Capital**

Capital expenditure in 2020/21 was £56.773m. This gives rise to an in-year underspend of £38.732m, of which £27.645m is requested to be reprofiled in future years. There is an overall forecast reduction in the total programme of £11.087m.

**Table 2: Forecast Capital Outturn**

<b>Directorate</b>	<b>Budget £000</b>	<b>Outturn £000</b>	<b>Re- profiled beyond 2020/21 £000</b>	<b>Variance to Budget £000</b>	<b>Prior Month Variance £000</b>
Housing	3,782	2,684	719	(379)	(379)
Comm Dev Assets & Investments	62,745	40,191	21,822	(731)	(812)
Customers, Org Dev & Resources	1,755	1,138	541	(76)	(109)
Environment and Place	26,350	12,395	4,172	(9,783)	(9,637)
Public Health & Wellbeing	873	365	390	(118)	(93)

<b>Total</b>	<b>95,505</b>	<b>56,773</b>	<b>27,645</b>	<b>(11,087)</b>	<b>(11,030)</b>
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### 3.24 Outturn Variances

#### Housing:

Housing report a (£0.379m) underspend due to reduced activity in delivering Disabled Facilities Grant works during the Covid-19 pandemic (£0.375m), plus a small projected underspend (£0.004m) against the Civica Arbritas upgrade project.

#### Commercial Development, Assets & Investments:

Property is reporting a final outturn of (£0.731m) underspend across the various projects, some as a result of the Covid-19 pandemic and others as a result of more effective working. One of the largest savings is the refurbishment of Banbury Health Centre (£0.153m). Due to ongoing discussions with the tenant regarding the extension of the lease, the scope of the project has been amended and as a result the full budget allocation is not required. (£0.090m) saving has also been achieved on works relating to the roofing of Ferriston parade due to efficient delivery of the project. A (£0.070m) saving on the Banbury Museum Air Handling Unit upgrade has also been achieved because original plans suggested replacement of the plant but on further investigation, this was not necessary, and refurbishment was carried out. Corporate Asbestos Surveys Works have a (£0.050m) saving to expected costs this year and a further (£0.078m) savings have been made with the Compliance Works with Energy Performance, Pioneer Square Fire Panel and Corporate Water Hygiene projects. There have also been (£0.290m) across the remaining capital schemes.

#### Customers Organisational Development & Resources:

There is a £0.001m overspend on the HR/Payroll system with no more costs expected.

ICT are forecasting a (£0.059m) underspend. (£0.050m) for Legacy iworld system migration but £0.050m has been reprofiled to 2021/22 with a view to repurposing it for a new project for members subject to approval. (£0.010m) no longer required for Bodicote House meeting room Audio Visual and £0.001m overspend across the other capital projects in this area.

Finance: The Academy Harmonisation project was underspent by (£0.016m)

#### Environment and Place:

Growth and Economy Build Phase 1 is reporting unbudgeted spend of £0.103m. Build Phase 1b is forecasting an overspend of £0.236m after reprofiling the remaining budget into 2021/22 to complete the programme. Build Phase 2 as a result of certain schemes no longer progressing or being pipelined has generated an underspend of (£9.891m). The Hill Community centre project is now complete with an underspend of (£0.229m).

Environmental Services: are forecasting (£0.002m) underspend as a result of energy efficiency projects which were committed in late 2019/20.

#### Public Health & Wellbeing:

Wellbeing are showing a saving of (£0.118m). This is made up of (£0.020m) North Oxford Academy Facilities Upgrade, (£0.008m) against the Sunshine Centre programme for the extension to the front of the site, (£0.015m) underspend against the Corporate Booking System, (£0.025m) against Community Grants, (£0.007m) against the Story Book Map insight work and finally (0.043m) on Solar Photovoltaics at Sport Centres which has been completely delivered and finalised.

### **3.25 Re-profile beyond 2020/21**

#### **Housing:**

**£0.656m** Disabled Facilities Grant capital – Covid-19 significantly reduced activity due to the various lockdowns throughout the year. As a result, not all of the Better Care Fund will be spent in this financial year and will be reprofiled into 2021/22

**£0.063m** Discretionary grants - Significantly reduced activity due to the lockdowns throughout the year delaying the progressing of reactive landlord grants.

#### **Commercial Development, Assets & Investments:**

**£0.050m** Spiceball Riverbank Reinstatement - works are now part of Castle Quay 2 which will take place in 2021/22

**£0.100m** Banbury Health Centre refurbishment - project has been delayed due to issues with the lease agreement with the tenant.

**£20.712m** Castle Quay - delayed works due to Covid-19

**£0.055m** Horsefair, Banbury - delayed works on paving outside Horsefair, Banbury Cross due to Covid-19

**£0.035m** Banbury Museum Air Handling Unit - supply issues are being encountered which are causing delays

**£0.141m** Bodicote House Fire Compliance Works - on hold due to project viability

**£0.160m** Corporate Asbestos Survey - Works progressing and will carry on into 2021/22. Anticipated spend of £0.160m in total releasing a (£0.050m) saving

**£0.080m** Corporate Fire Risk Assessment - works are progressing but will carry over in to 2021/22. Full spend expected.

**£0.147m** Works from Compliance Surveys - Works progressing but will carry on into 2021/22. Full spend anticipated.

**£0.100m** CDC Feasibility of Utilisation of Proper Space - Project on hold

**£0.130m** Community Centre works on phase 1 has slight delays and will carry over into 2021/22

#### **Environment and Place:**

##### **Environmental Services**

**£0.174m** Thorpe Lane Depot Capacity Enhancement - slippage in to 2021/22 as a result of proposed separate garden and food waste rollout.

**£0.080m** Bicester Country Park – Covid-19 delayed the purchasing and progression of the country park also resulting in community planting unable to take place until later in 2021, all spend to be slipped in to 2021/22.

**£0.422m** Vehicle replacement Programme - currently under review, further investigation needed into larger electric vehicles before committing to diesel equivalents. Remaining spend to be

reprofiled into 2021/22.

**£0.079m** Car Park Refurbishments – Covid-19 significantly delayed progression on the installation of pay on exit barriers. Remaining spend will take place in 2021/22.

**£0.022m** On Street Recycling Bins - purchases are expected in 20/21 but delivery and installation are anticipated in early 2021/22.

**£0.125m** Car Park Action Plan - there are no costs anticipated in this financial year but spend is anticipated in 2021/22.

**£0.018m** Off Road Parking – Covid-19 delayed the progression of the car park refurbishments. All spend will take place in 2021/22.

**£0.012m** Street Scene Fencing Street Furniture - Issues with an expiring lease and delays due to Covid-19 have resulted in all spend to be slipped in to 2021/22.

**£0.015m** Urban Centre Electricity Installations - Issues with contractor delayed commitments, all spend to be slipped in to 2021/22.

**£0.050m** Depot Fuel System Renewal – Covid-19 delayed the progression of this project, all spend to be slipped in to 2021/22.

### **Growth and Economy**

**£1.713m** East West Rail 2 - comprises the introduction of direct passenger and freight services between Oxford/Aylesbury and Milton Keynes/Bedford by reconstructing and upgrading the railway between Bicester-Bletchley-Bedford and Aylesbury-Claydon Junction routes, approval for which was originally agreed in October 2013 of a contribution of £4.35m towards the scheme. It was agreed that this could be paid over a 15 year period.

**£0.952m Build Phase 1b** - Bicester Library is in the early stages of development with actual site work commencing early 2021 with likely completion by the end of 2021. Admiral Holland works formally completed end of September 2020 but CDC will have to budget for retention payments due in September 2021 of £0.061m along with £0.006m retention payment owing for Creampot Crescent

**£0.350m** Creampot Crescent Repurchase contingency - this budget is for the purpose of repurchasing the property if the owner can no longer afford the property.

**£0.160m** BUILD! Essential Repairs & Improvement (Town Centre Affordable Rent roof repairs) - Loss adjustor negotiations still ongoing but the repairs are expected to be covered by warranty. However, reprofiling of budget in case this is not the case.

### **Public Health & Wellbeing:**

**£0.012m** Physical Activity & Inequalities Insight - evaluation funding for Active Reach project paused due to Covid-19 national restrictions

**£0.183m** North Oxfordshire Academy Astroturf capital scheme. Currently under discussion regarding the outstanding planning application and third party contribution.

**£0.045m** Corporate online booking system delay

**£0.084m** Bicester Leisure Centre extension - spend to date on feasibility studies. Remaining funds needed for professional fees to progress recommendations resulting from the feasibility studies. Remaining spend will take place in 2021/22.

**£0.030m** Spiceball Leisure Centre bridge resurfacing - No spend in 2020/21 but will take place in 2021/22 on completion of Castle Quay Waterside and reinstatement of the bridge.



**£0.015m** Community Capital grants - Reprofile of £0.015m required to meet commitments in 2021/22

**£0.009m** Community Centre Refurbishment - Reprofile of £0.009m required to meet commitments in 2021/22 for external lighting project

**£0.012m** Sunshine Centre - Reprofile of £0.012m required to meet commitments in 2021/22

### **Customers, Org Dev & Resources:**

**£0.335m** Finance - work on the new finance system will continue into 2021/22

**£0.025m** Human Resources - Further implementation of Itrent

**£0.050m** IT 5 Year rolling hardware/software replacement program

**£0.030m** IT Customer Excellence & Digital Transfer – phase 2

**£0.004m** IT CDC & OCC Technology Alignment

**£0.050m** IT Legacy Iworld System Migration – to be repurposed for new project on members IT

**£0.020m** IT Procurement of Joint Performance system

**£0.027m** IT Land & Property Harmonisation

## Annex

### COVID Funding

#### Specific Funding

Date	Dept.	Grant Name	Schemes	Funding £
March	MHCLG	Business Grants	Main scheme & discretionary scheme - Forecast	27,655,250
March	MHCLG	Hardship Fund	To provide £150 reduction to Council Tax bills for those in receipt of Council Tax Support.	818,000
March		Emergency Response for Rough Sleeper		8,250
July	DEFRA	Emergency Assistance Grant for Food and Essential Supplies	Allocation from OCC	116,326
September		Next Steps Accommodation Programme		120,400
September - March	DHSC	Test & Trace Isolation Payments	Main scheme	245,000
			Discretionary Scheme	171,500
October	MHCLG	Compliance & Enforcement Fund	£60m national fund of which £30m allocated to district & unitary authorities to spend on C-19 compliance & enforcement activity	65,251
November	MHCLG	Business Support (Additional Restrictions Grant)	£20 per head of population for discretionary business grant scheme – funding for 2020/21 and 2021/22 - including one-off payments	4,347,029

November	MHCLG	Local Restrictions Support Grant (Closed) Addendum - Lockdown 2	Mandatory business grants scheme distributed to business premises forced to close due to lockdown restrictions <ul style="list-style-type: none"> <li>• rateable value £15k or under, grants to be £1,334 per four weeks;</li> <li>• rateable value between £15k-£51k grants to be £2,000 per four weeks;</li> <li>• rateable value £51k or over grants to be £3,000 per four weeks.</li> </ul>	2,664,504
	BEIS	Local Restrictions Support Grant (Closed) Addendum - Lockdown 3 to 31/03/21	As above	8,183,834
December	MHCLG	New Burdens Grant	Business Rate	11,700
			Council Tax	11,788
December	MHCLG	New Burdens Grant 2	To support making grant payments	58,500
	BEIS	Christmas Support Payment	Wet Led Pubs including off-setting payment	89,600
	BEIS	Local Restrictions (Open)	Discretionary Grant for period 2-18 December 2020 + 20 December - 4 Jan	481,280
	BEIS	Local Restrictions (Closed)	Mandatory business grants scheme for period 2-18 December 2020 + 20Dec - 4 Jan distributed to business premises forced to close Tiers 2 - 4 <ul style="list-style-type: none"> <li>• rateable value £15k or under, grants to be £667 per 2 weeks;</li> <li>• rateable value between £15k-£51k grants to be £1,000 per 2 weeks;</li> <li>• rateable value £51k or over grants to be £1,500 per 2 weeks.</li> </ul>	1,001,012

	BEIS	Closed Business Lockdown - Mandatory Lockdown 3	Funding received TBC One off grants awarded to be RV below £15k: £4,000 RV £15k - £51k: £6,000 RV above £51k: £9,000	7,992,000
	OCC	Winter Support	From Oxfordshire County Council	59,004
	OCC	COMF (Control Outbreak Management Fund)	To fund ongoing public health and outbreak management costs	912,000
<b>TOTAL</b>				<b>55,012,228</b>

## General Funding

Description	£
Tranche 1**	67,257
Tranche 2	1,499,041
Tranche 3	229,391
Tranche 4	316,992
Total	2,112,681
Forecast Sales, Fees & Charges compensation	1,633,125
<b>Total General Grant Funding</b>	<b>3,745,806</b>

\*\* Note: Tranche 1 was received in 2019/20 and so is shown as a use of reserves in 2020/21.

## 4.0 Conclusion and Reasons for Recommendations

4.1 It is recommended that the contents of this report are noted.

## 5.0 Consultation

5.1 This report sets out performance, risk and budgetary information for the first quarter of this financial year and as such no formal consultation on the content or recommendations is required.

## 6.0 Alternative Options and Reasons for Rejection

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

Option 1: This report illustrates the Council's performance against the 2020-21 business plan. As this is a monitoring report, no further options have been considered. However, members may wish to request that officers provide additional information.

## 7.0 Implications

### Financial and Resource Implications

- 7.1 Financial implications are detailed within section 3.16 to 3.25 of this report.

Comments checked by:

Lorna Baxter, Executive Director Finance, 07393 001218, [Lorna.Baxter@cherwell-dc.gov.uk](mailto:Lorna.Baxter@cherwell-dc.gov.uk)

### Legal Implications

- 7.2 There are no legal implications from this report.

Comments checked by:

Sukdave Ghuman, Head of Legal and Deputy Monitoring Officer, [Sukdave.Ghuman@cherwell-dc.gov.uk](mailto:Sukdave.Ghuman@cherwell-dc.gov.uk)

### Risk Management Implications

- 7.3 This report contains a full update with regards to the Council's risk position at the end of March 2021. A risk management strategy is in place and the risk register has been fully reviewed.

Comments checked by:

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

## 8.0 Decision Information

### Key Decision

Financial Threshold Met: No

Community Impact Threshold Met: No

### Wards Affected

All

### Links to Corporate Plan and Policy Framework

All

## **Lead Councillor**

Councillor Richard Mould – Lead member for Performance Management  
Councillor Tony Ilott – Lead member for Finance and Governance

## **Document Information**

### **Appendix number and title**

Appendix 1 Leadership Risk Register

Appendix 2 Risk and Opportunities Management Strategy 2021-22

### **Background papers**

None

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

Louise Tustian – Head of Insight and Corporate Programmes

Tel: 01295 221786

Louise.tustian@cherwell-dc.gov.uk

Appendix 1 – Leadership Risk Register as at 15/04/2021

Level of risk	How the risk should be managed
<b>High Risk</b> (16-25)	<b>Requires active management</b> to manage down and maintain the exposure at an acceptable level. Escalate upwards.
<b>Medium Risk</b> (10 -15)	<b>Contingency Plans</b> - a robust contingency plan may suffice together with early warning mechanisms to detect any deviation from the profile.
<b>Low Risk</b> (1 – 9)	<b>Good Housekeeping</b> - may require some risk mitigation to reduce the likelihood if this can be done cost effectively, but good housekeeping to ensure that the impact remains low should be adequate. Re-assess frequently to ensure conditions remain the same.

Risk Scorecard – Residual Risks						
		Probability				
		1 - Remote	2 - Unlikely	3 - Possible	4 - Probable	5 - Highly Probable
Impact	5 - Catastrophic			L09		
	4 - Major			L04, L07, L11, L1, L22 & L21	L01, L17, L19 & L20	
	3 - Moderate		L16	L02, L05, L14, L15 & L18	L08	
	2 - Minor				L10	
	1 - Insignificant					

Risk Definition	
<b>Leadership</b>	Strategic risks that are significant in size and duration, and will impact on the reputation and performance of the Council as a whole, and in particular, on its ability to deliver on its corporate priorities
<b>Operational</b>	Risks to systems or processes that underpin the organisation’s governance, operation and ability to deliver services

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls)			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2020/21						Fully effective Partially effective Not effective											
L01 -	Financial resilience – Failure to react to external financial impacts, new policy and increased service demand. Poor investment and asset management decisions.	Reduced medium and long term financial viability	4	4	16	Medium Term Revenue Plan reported regularly to members.	Fully	Councillor Tony Illot	Lorna Baxter	Michael Furness	4	4	16	Review of workload and capacity across the team. Interim Capital Accountant post recruited to. Interim Accountant recruited and permanent recruitment completed with new starter mid-March. Assessment of national picture undertaken and being reported through senior managers and members highlighting the medium term challenges. Recruited to a further interim accountant post to support with the new business grant schemes that have been introduced as a result of lockdown restrictions. Significant handover between interim closedown lead and Strategic Finance Business Partner to maximise knowledge transfer and reduce impact of reduction in resource.	Maintaining focus in this area with ongoing review, staff and member training and awareness raising. Moving to a risk based approach to budget monitoring in order to address workload issues and vacancies in the team, as well as exploring joint working opportunities with OCC New interim Accountant began in November to bring capacity to assist with anticipated additional test and trace and business grants workload.	Risk reviewed - 15/04/21 - Mitigations and comments updated	
Reduction in services to customers	Balanced medium term and dynamic ability to prioritise resources	Fully				Investment strategy approach agreed and operating and all potential investments now taken through the working groups prior to formal sign off. Robust review and challenge of our investment options to be regularly undertaken through our usual monitoring processes.	Investment options considered as and when they arise, MTFs and budget setting being developed to enhance the scrutiny and quality of investments.										
Increased volatility and inability to manage and respond to changes in funding levels	Highly professional, competent, qualified staff	Partially				Timeliness and quality of budget monitoring particularly property income and capital improving. Financial Systems replacement project underway. LEAN review of budget monitoring undertaken with significant engagement from within the wider business.	Financial System Solution Project continuing to consider future finance system options, incorporating budget management via Lean, extension of Civica and new procurement.										
Reduced financial returns (or losses) on investments/assets	Good networks established locally, regionally and nationally	Fully				Asset Management Strategy being reviewed and refreshed.	Review underway										
Inability to deliver financial efficiencies	National guidance interpreting legislation available and used regularly	Fully				Review of BUILD to ensure procurement and capital monitoring arrangements are in place and development of forward programme - future work has been placed on hold as part of a capital pipeline of schemes not currently included in the capital programme	Review in hand.										
Inability to deliver commercial objectives (increased income)	Members aware and are briefed regularly	Fully				Finance support and engagement with programme management processes continuing.	Finance business partners involved with reflection locally on outcomes.										
Poor customer service and satisfaction	Participate in Oxfordshire Treasurers' Association's work streams	Fully				Further integration and development of Performance, Finance and Risk reporting.	Integrated reporting has been embedded										
Increased complexity in governance arrangements	Review of best practice guidance from bodies such as CIPFA, LGA and NAO	Fully				Regular involvement and engagement with senior management across County as well as involvement in Regional and National finance forums.	Engagement with a number of national and regional networks to ensure we are as up-to-date as we can be in relation to potential funding changes from 2021/22 and impact on our MTFs.										
Lack of officer capacity to meet service demand	Treasury management and capital strategies in place	Fully				Regular member meetings, training and support in place and regularly reviewed. Briefings provided on key topics to members with particular focus on key skills for specific committees such as audit committee.	Regular training will be undertaken.										
Lack of financial awareness and understanding throughout the council	Investment strategies in place	Fully				New approach to budget setting introduced linked to service planning. 2021/22 Budget set, a review of the process has taken place and revised process to be developed for 2022/23.	2021/22 budget set. Review of the 2021/22 budget setting process being planned.										
	Regular financial and performance monitoring in place	Fully				Regular utilisation of advisors as appropriate.	Review of borrowing approach being considered alongside our financial advisors.										
	Independent third party advisers in place	Fully				Internal Audits being undertaken for core financial activity and capital as well as service activity.	Regular reporting of progress on internal audits considered by the committee.										
	Regular bulletins and advice received from advisers	Fully				Assessment of national picture via external advisor has identified that the funding available in later years is likely to be significantly reduced, adding longer term resilience challenges.	Medium/long term position assessed as significantly worse, increasing risk alongside the capacity needed to work on activity to reduce spending levels. The ongoing impact of Covid on business rates and council tax income will be carefully monitored. When the Spending Review is announced this will be analysed to assess what implications this may have for the Council.										
	Property portfolio income monitored through financial management arrangements on a regular basis	Partially				Financial forecasts of resources for 2021/22 have assumed a reduction in resources that will be available from business rates compared to February 2020 assumptions. The budget for 2021/22 has been agreed with savings proposals identified to address these reductions. Close monitoring of the delivery of the savings programme will take place throughout 2021/22 with mitigations required if slippage is identified. If resources fell significantly below the 2021/22 forecast level then a review of which reserves could be made available to mitigate this would be required (e.g. due to greater ongoing impact of Covid-19 or due to further economic shocks in the short-term). A similar approach to reviewing reserve availability could be adopted if the cost of goods we purchase were to increase.	The impact of Covid19 has changed the financial outlook for the Council, with regular updates helping to outline the impact on the Council both in the short, medium and longer term. The Council currently anticipates a significant, short, medium and long term funding shortfall in overall terms. Set alongside the anticipated funding reductions due to start from 2021-22 the financial resilience of the Council could be severely impacted. The Council agreed a revised budget for 2020/21 to address the short term impacts of Covid-19 and provided its Budget and Business Planning Process 2021/22 - 2025/26 report to Executive on 5 October 2020. Chancellor's Spending Review confirmed the delay of the business rates reset. Only a 1 year SR so no additional certainty of funding and any additional Covid related funding is likely to be for one year only.										
	Asset Management Strategy in place and embedded. Transformation Programme in place to deliver efficiencies and increased income in the future	Partially Fully	A business rates reset is assumed from 2022/23 which will significantly reduce the resources available to the Council. Should resources from business rates fall much below this (e.g. due to any further ongoing impacts to the economy) then resources would be supplemented by a "safety net" payment from the Government under the current regime. The budget process for 2022/23 will need to begin shortly after setting the 2021/22 budget to identify further savings necessary to operate within this level of resources.	Provisional local government finance settlement has announced some one-off funding to support local government in 2021/22. The Council set its 2021/22 budget on 22 April 2021 and now needs to monitor the delivery of the budget and begin preparations for the 2022/23 budget process													
			Where the Government has issued consultations on future approaches to funding local government CDC has responded to ensure its views are considered														



Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls)			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2020/21						Fully effective Partially effective Not effective											
L02 -	Statutory functions – Failure to meet statutory obligations and policy and legislative changes are not anticipated or planned for.	Legal challenge	3	4	12	Embedded system of legislation and policy tracking in place, with clear accountabilities, reviewed regularly by Directors.	Partially	Councillor Barry Wood	Anita Bradley	Sukdave Ghuman	3	3	9	↔	Establish corporate repository and accountability for policy/legislative changes.	Risk reviewed 15/03/21 - Comments updated	
Loss of opportunity to influence national policy / legislation		Clear accountability for responding to consultations with defined process to ensure Member engagement				Fully	Review Directorate/Service risk registers.										
Financial penalties		National guidance interpreting legislation available and used regularly				Fully	Ensure Committee forward plans are reviewed regularly by senior officers.										
Reduced service to customers		Risks and issues associated with Statutory functions incorporated into Directorate Risk Registers and regularly reviewed.				Partially	Ensure Internal Audit plan focusses on key leadership risks.										
		Clear accountability for horizon scanning, risk identification / categorisation / escalation and policy interpretation in place				Partially	Develop stakeholder map, with Director responsibility allocated for managing key relationships.										
		Robust Committee forward plans to allow member oversight of policy issues and risk management, including Scrutiny and Audit				Partially	Corporate Performance framework for 2020-21 to be agreed.										
		Internal Audit Plan risk based to provide necessary assurances				Partially	Standardise agendas for Director / PFH 1:1s (template in place)										
		Strong networks established locally, regionally and nationally to ensure influence on policy issues.				Fully	New legislation and Government guidance in response to COVID19 will assist service adjustment.										
		Senior Members aware and briefed regularly in 1:1s by Directors				Partially	Allocate specific resource to support new projects/policies or statutory requirements e.g. GDPR.										
		Arrangements in place to source appropriate interim resource if needed				Fully	Learning and development opportunities identified and promoted by the Chief Executive.										
		Ongoing programme of internal communication				Fully	Regular communications from Chief Executive. Quarterly staff briefings from Assistant Directors.										
		Programme Boards in place to oversee key corporate projects and ensure resources are allocated as required.				Fully	External support secured for key corporate projects including CDC/OCC joint working, Growth Deal and IT Transformation Programme.										
	Reduced staff morale, increased workload and uncertainty may lead to loss of good people	Partially		Opportunities for joint working with OCC being explored for Legal, Finance and Strategic Capability (corporate services). Currently this risk in under review due to new Director in position. This risk is undergoing extensive review and changes will be reflected in next's months update.													
	Partnership Working Group established with OCC to oversee joint working opportunities.	Partially															

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls)			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2020/21																	
L04 -	<b>CDC Local Plan</b> - Failure to ensure sound, up to date local plan remains in place for Cherwell resulting in poor planning decisions such as development in inappropriate locations, inability to demonstrate an adequate supply of land for housing and planning by appeal	Poor planning decisions leading to inappropriate growth in inappropriate place.	4	4	16	Local Development Scheme (LDS) is actively managed and reviewed, built into Service Plan, and integral to staff appraisals of all those significantly involved in Plan preparation and review	Partially	Councillor Colin Clarke	Bill Cotton	David Peckford	3	4	12	Regular review meetings on progress and critical path review. Regular Corporate Director and Lead Member briefings. LDS updated as required with programme management approach adopted to ensure progress against plan. LDS timeline built into Directorate level objectives (e.g. via Service Plans) and incorporated into SMART targets within staff appraisals. Authority Monitoring Reports continue to be prepared on a regular annual basis.	The Local Development Scheme (LDS) was updated in March 2020. It includes the programmes for the Partial Review of the Local Plan, the Oxfordshire Plan 2050, a Local Plan Review, the Banbury Canalside Supplementary Planning Document and work on a Community Infrastructure Levy (CIL). The Partial Review of the Local Plan was adopted by Council on 7 Sept 2020. A legal challenge to the Plan is to be heard by the courts in June 2021. An issues consultation for the Local Plan Review was completed on 14 Sept 2020 in accordance with the LDS timetable. Re-starting work on the Canalside SPD has been delayed and the timetable for the Oxon Plan process is outside the Council's direct control. Work on the Local Plan Review is continuing but the precise timetable is under review. Potential national changes to the planning system may affect how plans are prepared. They may also influence a decision on whether or not to proceed with work on CIL. The 2020 Annual Monitoring Report has been published.	Risk reviewed 09/04/2021 - Risk owner and comments updated	
Negative (or failure to optimise) economic, social, community and environmental gain	Team capacity and capability kept under continual review with gaps and pressures identified and managed at the earliest opportunity.	Partially				↔	Regular Corporate Director and Lead Member briefings										
Negative impact on the council's ability to deliver its strategic objectives, including its commitments within the Oxfordshire Housing & Growth Deal	Some additional resource budgeted for 20/21.	Partially				LDS updated as required with programme management approach adopted to ensure progress against plan											
Increased costs in planning appeals	Delegations to Chief Exec agreed to ensure timely decisions	Fully				LDS timeline built into Directorate level objectives (e.g. via Service Plans) and incorporated into SMART targets within staff appraisals.											
Reputational damage with investor community of Cherwell as a good place to do business created by uncertainty/ lack of	On-going review of planning appeal decisions to assess robustness and relevance of Local Plan policies	Partially				Authority Monitoring Reports continue to be prepared on a regular annual basis.											
L05 -	<b>Business Continuity</b> - Failure to ensure that critical services can be maintained in the event of a short or long term incident affecting the Councils' operations	Inability to deliver critical services to customers/residents	4	4	16	Business continuity strategy, statement of intent and framework in place	Fully	Councillor Andrew McHugh	Rob MacDougall	Richard Webb	3	3	9	Business Continuity Statement of Intent and Framework agreed by CEDR	Business continuity status reports being collated and reviewed weekly in view of increased infection rates and new national restrictions. Staff reassignment process re-established to provide rapid response where demands or absences may result in critical service failure. The Council has continued to provide critical services throughout the lockdown periods. Remote working enables most teams to work effectively from home and sustain services whilst also avoid unnecessary social contacts. The EU Exit deal reduced potential impacts of EU Exit on service delivery and no impacts have been identified. A new incident management framework is in development.	Risk Reviewed 12/04/2021 - No changes	
Financial loss	Services prioritised and recovery plans reflect the requirements of critical services	Fully				↔	Cross-council BC Steering Group meets regularly to identify BC improvements needed										
Loss of important data	ICT disaster recovery arrangements in place	Fully				ICT transition to data centre and cloud services have reduced likelihood of ICT loss and data loss											
Inability to recover sufficiently to restore non-critical services before they become critical	Incident management team identified in Business Continuity Strategy	Partially				Corporate ownership and governance sits at senior officer level											
Loss of reputation	All services undertake annual business impact assessments and update plans	Fully				BC Impact assessments and BCPs in place for all teams and peer reviewed by OCC's Emergency Planning team											
	Business Continuity Plans tested	Partially	Progress report was provided to CEDR in March 2019 BC assurance framework under development														
			Updated Incident management framework in development														

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls)			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2020/21																	
L07 -	<b>Emergency Planning (EP)</b> - Failure to ensure that the local authority has plans in place to respond appropriately to a civil emergency fulfilling its duty as a category one responder	Inability of council to respond effectively to an emergency	4	4	16	Emergency Plan in place and key contact lists updated monthly.	Fully	Councillor Andrew McHugh	Rob MacDougall	Richard Webb	3	4	12	↔	Emergency plan contacts list being updated monthly and reissued to all duty managers.	The Emergency Plans which were enacted and command structures established with partner organisations to support the response to the Covid-19 pandemic are now being relaxed as the situation improves. Recovery work continues. Partners continue to liaise with organisers of planned events to ensure they have robust infection management arrangements in place and that there is awareness of all the events being organised. The council is maintaining its duty director rota for any other emergency incidents that might arise. A refresh of the council's emergency plans is being progressed to provide a clearer framework for incident response aligned with the Local Resilience Forum. Senior manager training is being developed following changes in personnel. Contact arrangements for out of hours incidents have been reviewed following recent isolated flooding as a result of high levels of rainfall. The end of EU Exit transition did not result in any new emergency incidents locally.	Risk Reviewed 09/04/2021 - Control assessment and comments amended.
Unnecessary hardship to residents and/or communities	Emergency Planning Lead Officer defined with responsibility to review, test and exercise plan and to establish, monitor and ensure all elements are covered	Fully				OCC Emergency Planning providing expert advice and support under a partnership arrangement. Accountability for both OCC and CDC's arrangements now sit with the Chief Fire Officer who reviews the arrangements with the Assistant Director.											
Risk to human welfare and the environment	Added resilience from cover between shared Environmental Health and Community Safety Teams as officers with appropriate skill	Fully				Supporting officers for incident response identified in the emergency plan and wallet guide											
Legal challenge	Senior management attend Civil Emergency training	Partially				Refreshed incident management plan under development to align with OCC											
Potential financial loss through compensation claims	Multi agency emergency exercises conducted to ensure readiness	Partially				Senior managers have attended multi-agency exercises and duty manager training with OCC senior managers.											
Ineffective Cat 1 partnership relationships	On-call rota established for Duty Emergency Response Co-ordinators	Fully				On-call rota being maintained and to be updated to reflect recent staffing changes											
	Active participation in Local Resilience Forum (LRF) activities	Fully				Authority represented at the Local Resilience Forum											

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2020/21						Fully effective Partially effective Not effective											
L08 -	Health and safety - Failure to comply with health and safety legislation, corporate H&S policies and corporate H&S landlord responsibilities	Fatality, serious injury & ill health to employees or members of the public	5	4	20	Health & Safety Corporate HS&W Policy and Corporate Arrangements & guidance in place as part of the HSE's recommended Management System HSG 65. Organisations have a legal duty to put in place suitable arrangements to manage health & safety.	Partially	Councillor Lynn Pratt	Yvonne Rees	Martin Green	3	4	12	↔	The Corporate Health, Safety and Wellbeing Policy was ratified BPM meeting on 17th June 2020. The Corporate arrangements are in the process of being reviewed and updated to ensure they are in line with Oxfordshire County Council. When updated these will be uploaded onto the intranet.	The Health and Safety Assurance Board receives a quarterly report from the Corporate H&S Manager.	Risk reviewed 07/04/21 - Risk manager, Mitigating actions and comments updated
	Criminal prosecution for failings	Clearly identified accountability and responsibilities for Health and Safety established at all levels throughout the organisation				Fully	Following the ratification of the Corporate Health, Safety and Wellbeing Policy all Assistant Directors were asked to complete a Departmental Risk Assessment Checklist. The Checklist identified the areas of risk within the department and whether there is a risk assessment in place to cover the risks. So far 9 departments have responded. Following the departure of the Interim Director of Finance/ Health and Safety Champion and the appointment of Corporate Director – Commercial Development, Assets and Investment who has become the Corporate Health and Safety Champion, the Corporate Health and Safety Policy will be reviewed and aligned with OCC's. Once completed this will go to CEDR for ratification by CEDR.								Corporate Health and Safety Team to ensure all departments to responds to the Departmental Risk Assessment Checklist and to follow up with departments on areas of concern. Responses are being collated on a central spreadsheet which will become the database of all risk assessments across the Council.		
	Financial loss due to compensation claims	Corporate H&S Manager and H&S Officer in post to formalise the H&S Management System & provide competent H&S advice and assistance				Fully	As Health and Safety Officers are in place no further action is required and risk mitigated.								These two posts are established posts and budgeted accordingly to secure future funding for continuity.		
	Enforcement action – cost of regulator (HSE) time	Proactive monitoring of Health & Safety performance management internally				Fully	A 2-year internal Health and Safety Audit programme is in place covering the period until May 2021. The health and safety internal audit programme covers all elements of our overall H&S management system to ensure compliance with legislative standards. The full programme of audits was temporarily on hold due to the Coronavirus Lockdown, however health and safety checks on the front line operations of Environmental Services and workplace inspections have now recommenced.								The H&S team are conducting health and safety inspections internally across all services and teams. To date a total of 11 audits have been carried out across the Council however, the audits are currently on hold due to Corona Virus. The audit reports have been provided to the relevant service managers, including recommendations, advise and timescales for remediation.		
	Increased agency costs	Effective induction and training regime in place for all staff				Partially									Implementation of a new e-learning package has commenced. Modules have been assigned to staff based on their positions. Deadline for completion of these modules was January 2020. Modules include training on Health and Safety, DSE, Manual Handling, Lone working etc.		
	Reduction in capacity impacts service delivery	Positive Health & Safety risk aware culture				Partially	Good awareness in higher risk areas of the business, e.g. Environmental Services. However other areas need improved awareness of risk assessment process. This needs to be achieved by a review of training needs across CDC and the mandatory training of managers on risk assessment. Property team have undertaken a review of CDC owned operational properties to ensure health and safety compliance is fully maintained in line with the legislative compliance requirements.								A review has been undertaken of all CDC owned properties to ensure that fire risk assessments, water hygiene surveys and asbestos surveys have been completed where required. A compliance review of tenanted properties leased by CDC is also under way to ensure that the tenants are managing the property in accordance with legislative requirements.		
	Reputational Impact	Corporate Health & Safety meeting structure in place for co-ordination and consultation				Partially	Currently the Council has no formal committee structure in place for the consultation of health safety with staff.								A proposal for the formation of a Health and Safety Committee to report to the ELT will be submitted to ELT once stability has been achieved following COVID 19. The purposed of this committee, if ratified, will monitor the activities of the Corporate Health and Safety Team and to act as a scrutiny committee for the Corporate Arrangements.		
		Corporate body & Member overview of Health & Safety performance				Fully	Quarterly reporting to ELT and to the Portfolio Holder by the Corporate Health and Safety Manager								Reporting dates have been agreed and adhered to.		
		Assurance that third party organisations subscribe to and follow Council Health & Safety guidelines and are performance managed where required	Fully	Robust procurement process that requires health and safety documentation and commitment to be proven prior to engagement of contractors.	Corporate Health and Safety has scheduled to undertake a review of Procurement process to ensure compliance.												

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			Probability	Impact	Rating						Probability	Impact	Rating				
2020/21																	
L09 -	Cyber Security - If there is insufficient security with regards to the data held and IT systems used by the councils and insufficient protection against malicious attacks on council's systems then there is a risk of: a data breach, a loss of service, cyber-ransom.	Service disruption Financial loss / fine Prosecution – penalties imposed Individuals could be placed at risk of harm Reduced capability to deliver customer facing services Unlawful disclosure of sensitive information Inability to share services or work with partners Loss of reputation	4	5	20	File and Data encryption on computer devices Managing access permissions and privileged users through AD and individual applications Consistent approach to information and data management and security across the councils Effective information management and security training and awareness programme for staff Password security controls in place Robust information and data related incident management procedures in place Appropriate robust contractual arrangements in place with all third parties that supply systems or data processing services Appropriate plans in place to ensure ongoing PSN compliance Adequate preventative measures in place to mitigate insider threat, including physical and system security Insider threat mitigated through recruitment and line management processes Cookie pop-ups on the website Increased threat to security during Covid-19 period in part due to most staff working from home.	Fully Fully Fully Fully Fully Fully Fully Fully Fully Fully Fully	Councillor Ian Corkin	Claire Taylor	David Spilsbury	3	5	15	↔	The cyber-essentials plus certification has now been passed. The Microsoft Multi-Factor Authentication system has been introduced to provide an enhanced level of cyber security.  Accounts, Audit & Risk Committee Members updated and given a presentation on Cyber Security November 2019  The Regional Police Cyber Security Advisor gave the IT management team two training sessions (full cyber awareness and table top DR exercise) followed by a series of all-Council staff awareness sessions in 2019. 2020 Cyber Security now included in mandatory e-learning for all staff to be completed by 31.12.2020. Members given a Cyber training session with the Police Cyber Security Advisor.  Implemented an intrusion prevention and detection system.  Agreed Terms of Reference and re-implementation of the security forum as the Information Governance Group, with meetings to be held on a minimum quarterly basis chaired by the Information Governance Manager. Information Governance support is now provided to Cherwell as part of a joint working relationship with Oxfordshire County Council. An action for the next month will be to ensure there are effective partnership working arrangements in place under this new service.  Cyber Awareness e-learning available and will be part of new starters induction training.  Cyber Security issues regularly highlighted to all staff.  External Health Check undertaken January 2020, no high risk security issues highlighted.  Internal Audit completed a cyber audit in June 2020 with no major issues or significant risks identified. The findings have an agreed action plan in place.  Cookiebot live on website for users to confirm cookie preferences.  Joint OCC/CDC Cyber Security Officer started work August 2020  Additional IT security advice provided for all staff during the Covid-19 working at home period including online coronavirus related scams. Update provided to Accounts, Audit & Risk Committee Members July 2020.	Cyber security incidents are inevitable. The only way to manage this risk is to have effective controls and mitigations in place including audit and review.	Risk Reviewed 13/04/21 - No changes

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			Probability	Impact	Rating						Probability	Impact	Rating				
2020/21						Fully effective Partially effective Not effective											
L10 -	<b>Safeguarding the vulnerable (adults and children)</b> - Failure to follow our policies and procedures in relation to and service delivery that safeguarding vulnerable adults and children or raising concerns about their welfare	Increased harm and distress caused to vulnerable individuals and their families  Council could face criminal prosecution  Criminal investigations potentially compromised  Potential financial liability if council deemed to be negligent	4	4	16	Safeguarding lead in place and clear lines of responsibility established  Safeguarding Policy and procedures in place  Information on the intranet on how to escalate a concern  Mandatory training and awareness raising sessions are now in place for all staff.  Safer recruitment practices and DBS checks for staff with direct contact  Community Safety Partnership reflect the actions needed to reduce exploitation  Data sharing agreement with other partners  Attendance at Children and Young People Partnership Board (CYPPB)  Annual Section 11 return compiled and submitted as required by legislation.  Engagement with Joint Agency Tasking and Co-ordinating Group (JATAC) and relevant Oxfordshire County Council (OCC) safeguarding sub group.  Engagement at an operational and tactical level with relevant external agencies and networks	Fully  Fully  Fully  Fully  Partially  Fully  Fully  Fully  Fully	Councillor Barry Wood	Ansaf Azhar	Nicola Riley	2	4	8	↔	Ongoing internal awareness campaigns  Ongoing external awareness campaigns  Annual refresher and new training programmes including training for new members  Attendance at safeguarding boards and participation in learning events  Continue to attend safeguarding board sub groups as necessary to maintain high levels of awareness within the system and compliance with latest practice  Continue to support work across the district regarding exploitation through slavery, county lines, domestic violence  Regular internal cross departmental meetings to discuss safeguarding practice  Action plan acted upon and shared with Overview and scrutiny committee once a year  Corporate monitoring of all referrals	The new Safeguarding Officer is working closely with HR colleagues to ensure that training and recording are up to date and generally processes are understood and being applied. Higher levels of exploitation concerns have been recorded through the pandemic to date and multi agency work continues in order to contain impacts.	Risk reviewed and controls updated 12/04/2021
L11 -	<b>Sustainability of Council owned companies and delivery of planned financial and other objectives</b> - failure of council owned companies to achieve their intended outcomes or fail to meet financial objectives	Unclear governance leading to lack of clarity and oversight in terms of financial and business outcomes  Failure of council owned companies to achieve their intended outcomes or fail to meet financial objectives  Lack of understanding at officer and member level about the different roles of responsibilities required when managing council owned companies  Potential impact of local government re-organisation (Northamptonshire) on CSN (see Risk L17)	3	4	12	Annual business planning in place for all companies to include understanding of the link between our objectives being delivered and financial impact for the council  Financial planning for the companies undertaken that will then be included within our own Medium term financial plan  Ensure strong corporate governance mechanisms are in place  Sound monitoring in place of both business and financial aspects of the companies and the impact on overall council performance  Training in place for those undertaking roles relating to the companies	Fully  Fully  Partially  Fully  Partially	Councillor Tony Illot	Steve Jordan	Jonathan MacWilliam	3	4	12	↔	Changes in the shareholder support side line management been put in place. Additional oversight and capacity from senior managers including performance dashboards at CEDR.  Resilience and support being developed across business to support and enhance knowledge around council companies.  Skills and experience being enhanced to deliver and support development, challenge and oversight.  Work with one company to ensure long term support arrangements are put in place.  Ongoing shareholder meetings key to understanding impact of Northamptonshire reorganisation	COVID-19 and resulting operational environment impacting all three companies. Continuing restrictions undermining confidence in the building/ sales/rental markets  CSN continue to handle increased demands through various grant schemes and increased benefit enquiries  Gravenhill resumed development within the current restrictions. Looking at schemes to assist buyers.  Crown House nearing full occupation ahead of forecast (adjusted for first lockdown). First years trading will identify overall financial impact of pandemic  Governance review completed and accepted by Shareholder committee. Action plan being developed to ensure all identified improvements are implemented appropriately.	Risk reviewed 15/04/2021 Potential Impact updated

Ref	Name and Description of risk	Potential impact	Inherent (gross) risk level (no Controls)			Controls	Control assessment	Lead Member	Risk owner	Risk manager	Residual risk level (after existing controls)			Direct'n of travel	Mitigating actions (to address control issues)	Comments	Last updated
			Probability	Impact	Rating						Probability	Impact	Rating				
2020/21																	
L12 -	<b>Financial sustainability of third-party suppliers including contractors and other partners</b> Supply chain management ensuring effective delivery through the supply chain	The financial failure of a third party supplier or partner results in the inability or reduced ability to deliver a service to customers. A reduced supply market could also result in increased costs due to the council's; loss of competitive advantage.  Reduced resilience and business continuity  Reduced staff morale, increased workload and uncertainty may lead to loss of good people  Opportunities for joint working with OCC take longer to develop than planned delaying potential service improvements for residents and communities.  Northamptonshire re-organisation impacts on services being delivered to SNC from CDC, impacting on the quality of services delivered to residents and communities.	3	4	12	Ensure contract management in place review and anticipate problems within key service suppliers and partners  Business continuity planning arrangements in place in regards to key suppliers  Ensuring that proactive review and monitoring is in place for key suppliers to ensure we are able to anticipate any potential service failures  Programme Board and Project Team established to deliver separation.  S113 agreement in place with Oxfordshire County Council  Partnership Working Group established with OCC to oversee the development of joint working proposals.  On-going service delivery arrangements to SNC set out clearly and underpinned by the Collaboration Agreement with protocols in place for dealing with any emerging issues.  Regular review and sharing of partnership activity / engagement at senior officer meetings.	Partially  Partially  Partially  Fully  Fully  Fully  Partially  Partially	Councillor Tony Illot	Steve Jordan	Melissa Sage	3	4	12	↔	Service areas to hold meetings as required with suppliers to review higher risk areas and ensure risks are being managed. Reminders to be sent to all who have Procurement/Contract Management responsibility to regularly meet with key suppliers and partners to gain early understanding of the effects a second wave of COVID-19, and lockdown, would have on supply.  The Procurement Team is now providing ELT members and identified Contract Mangers a monthly update of all suppliers with spend above £25k c/w a credit risk rating score to enable contract managers to manage any identified risks, with support from the Procurement Team. Furthermore, as a result of Covid-19 the likelihood of this risk is deemed to have increased and thus the procurement and finance team now hold a weekly joint meeting to consider funding solutions to support At Risk Suppliers in accordance with the national guidance note PPN04/20.  Legal advice sought with regards to the employment implications of re-organisation and separation proposals.  Separation tracker and risk register to be circulated at all senior management meetings.  Collaboration Agreement to underpin joint working with SNC following the end of the s113 in place.	Through collaboration with Oxfordshire CC, a joint Provision Hub has been established, and went live 04.01.2021 and has put in place greater commercial skills and controls across the two authorities. Specifically, a Procurement and Contract Management Intelligence team has been established, and responsibility for financial checks and controls around the supply base sits within that team. This will result in improved monitoring and management of commercial contract risk across the council's supply chain.  Reviews of service delivery arrangements with SNC to take place between October-December 2019.  Strategic Capability proposal considered by Partnership Working Group in August.  Proposals for two Joint Corporate Directors between CDC and OCC approved in July.	Risk reviewed 15/04/2021 - No changes

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2020/21						Fully effective Partially effective Not effective											
L14 -	<b>Corporate Governance</b> - Failure of corporate governance leads to negative impact on service delivery or the implementation of major projects providing value to customers.	Threat to service delivery and performance if good management practices and controls are not adhered to. Risk of ultra vires activity or lack of legal control Risk of fraud or corruption Risk to financial sustainability if lack of governance results in poor investment decisions or budgetary control. Failure of corporate governance in terms of major projects, budgets or council owned companies impacts upon financial sustainability of the councils. Inability to support Council's democratic functions / obligations (e.g. remote public meetings, remote voting). Elements of the COVID-19 response may be compromised, delayed or not taken forwards.	4	4	16	Clear and robust control framework including: constitution, scheme of delegation, ethical walls policy etc. Clear accountability and resource for corporate governance (including the shareholder role). Integrated budget, performance and risk reporting framework. Corporate programme office and project management framework. Includes project and programme governance. Internal audit programme aligned to leadership risk register. Training and development resource targeted to address priority issues; examples include GDPR, safeguarding etc. HR policy framework. Annual governance statement process under way for 2020/21 under oversight of the Corporate Governance Assurance Group (CGAG) for Cherwell and Oxon. The Group is taking an aligned approach (with Oxon CC) to working up a revised and complementary Annual Governance Statement which also connects more fully and earlier with ELT and CEDR. Joint Corporate Governance Assurance Group (CGAG) for Cherwell and Oxon is working up a revised and complementary Annual Governance Statement process for 2020/21, which also connects more fully and earlier with ELT and CEDR. CGAG also mapping respective (CDC/Oxon CC) governance processes to achieve alignment and efficiency where appropriate. Annual Review of the Constitution will take place each Autumn led by the Overview & Scrutiny Committee and approved by Full Council	Partially Partially Partially Partially Partially Partially Partially	Councillor Barry Wood	Yvonne Rees	Anita Bradley	3	3	9	↔	Standing item at senior officer meetings – regular review of risk and control measures.  Monitoring Officer to attend management team meetings.  Annual Governance Statement process under review (reviewing previous actions and identifying new) and draft Corporate Lead Statements which identify potential actions for 2020/21 are being produced for review by the Corporate Governance Assurance Group - on schedule. Corporate Governance Assurance Group mapping governance processes to ensure visibility and refresh.	In January 2019, Council agreed to enter into a Compromise Agreement with South Northants DC to ensure the continuation of key aspects of service delivery that required ongoing joint working (following the ending of the partnership S113 Agreement).  Monitoring Officer undertook a focused Constitution review during the Autumn, closely with members. Changes were agreed and being implemented, particularly to Meeting Procedure Rules. Full Council also agreed to an Annual Review of the Constitution each Autumn, led by the Overview and Scrutiny Committee with Full Council receiving a report for decision  Model Code of Conduct has been published by LGA and all Oxon Council Monitoring Officers have met to give initial consideration. Agreed that Oxon authorities ideally wish to adopt a consistent Code across the county, and across all tiers. As such, working plan is for Monitoring Officers to achieve a draft to take through each Council post-election with a view to implementation by May 2022. This risk is undergoing extensive review and changes will be reflected in next's months update.	Risk reviewed 15/04/21- Comments updated
L15 -	<b>L15 Oxfordshire Growth Deal - (contract with HMG)</b>	Failure to meet its obligations as a partner within the Growth Deal could see Cherwell as a factor in Government holding back some or all of its funding and/or cease to extend the arrangement beyond 2023. Infrastructure milestone delivery late (for infrastructure linked to accelerated housing) Accelerated housing numbers delivered late, outside of the programme time scale Delivery of Infrastructure projects fail to accelerate housing delivery as commercial pressures impact house builders Delivery of affordable houses below programme targets as GD contributions insufficient to attract sufficient builders/registered providers Oxfordshire Plan delivered late	4	5	20	Established programme structure and partnership ethos to support effective programme delivery. Engagement with housing developers to understand their commercial constraints. Engage with developers to ascertain which sites would benefit most from infrastructure delivery. Identify potential "top up" schemes to supplement GD affordable housing scheme. Utilise effective Programme controls to facilitate prompt escalation of issues to enable appropriate decision making and delivery timescale review. Develop Year 4 Plans of Work to detail the expected delivery by CDC for Year 4 of the Growth Deal Programme; building on the experiences and knowledge gained during previous years.	Fully Partially Partially Fully Fully Partially	Councillor Barry Wood	Robert Jolley	Jonathan MacWilliam	3	3	9	↔	A CDC GD programme and programme board capability.  Work stream plans of work (work stream brief, schedule, RAID log) .  Structured engagement with developers to better understand their needs.  Appropriate escalation of issues to agree programme flexibilities where required.  Improved collaboration working with partners.  Ongoing work with partners to realistically reflect deliverable schemes within programme time frame.	Year 4 Plans of Work submitted to SRO for review. Consolidated Year 4 Plans of Work due to CEDR in early May	Risk reviewed 14/04/2021 - Comments updated



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2020/21																	
L16 -	<b>Joint Working</b> That the challenges and risks associated with joint working between Cherwell and OCC, outweigh the benefits and impacts on the provision of services to residents and communities.	Opportunities for joint working take longer to develop than planned delaying potential service improvements for residents and communities.  Resources are allocated to the development of proposals, reducing the capacity of the Council to deliver on its priorities and plans, impacting on quality of services delivered to residents and communities.  Uncertainty around joint working could lead to reduced staff morale and potentially increase staff turnover.  Benefits to be realised from joint working business cases do not materialise or take longer to deliver than planned.	3	3	9	S113 agreement in place with Oxfordshire County Council Partnership working group meets quarterly programme management in place.  Partnership Working Group established with OCC to oversee the development of joint working proposals.  Robust programme and project management methodologies in place.  Regular meetings of the OCC Cabinet and CDC Executive in place to oversee development of partnership.	Fully  Fully  Fully	Councillor Ian Corkin	Yvonne Rees	Claire Taylor	2	3	6	↔	Regular reporting on joint working proposals to the senior management team. HR policies in place to enable joint working proposals to be delivered	The appointment process for the joint Corporate Director Environment and Place has been completed with the post holder starting in March 2021.  The Audit plan for 2021 will ensure joint working arrangements are included. Plans are in place to consider further opportunities for joint working and these are reported to the Partnership Working Group. The Joint MO and Director for Law and Governance has commenced in role.	Risk reviewed – 10/03/21 No change
L17 -	<b>Separation</b> That the separation of joint working arrangements with South Northamptonshire Council impacts on the provision of services to residents and communities.	Separation of joint working arrangements result in reduced capacity and resilience to deliver services. Specific impacts on Revenues & Benefits and IT services which are the only remaining shared services.  Services being delivered to SNC are impacted by re-organisation in Northamptonshire, impacting on the quality of services delivered to residents	4	4	16	On-going service delivery arrangements to SNC set out clearly and underpinned by the Collaboration Agreement with protocols in place for dealing with any emerging issues. Currently SNC are not able to confirm end date or transitional arrangements for these shared services going into West Northamptonshire Unitary. This created a level of uncertainty for Cherwell, plans are being prepared for separation on the assumption that West Northants will seek to deliver their own IT, Revs and benefits services. Legal advice has been sought with regards to governance and technical advice has been sought regarding technology. CEDR level shareholder and governance roles clarified with regards to shared services delivery company CSN.  Robust programme and project management frameworks in place.	Partially  Fully	Councillor Ian Corkin	Yvonne Rees	Claire Taylor	4	4	16	↔	Regular reporting on joint working proposals to the senior management team and briefings to Executive BPM.  Work has begun to explore the impact of local government reorganisation on the jointly owned arm's length company that delivers revenues and benefits services. This will require additional resource and oversight if a decision to separate is taken. A proposal to separate IT as SNC transitions into West Northants has been agreed by SNC but West Northants has not yet engaged. There is a risk that prolonged delay will prevent CDC working with OCC on future proposals. Work is ongoing to ensure the proposal is progressed. West Northants Council have still not yet set out any long term vision for the delivery of revenues and benefits and therefore their aspirations for CSN. Whilst we have governance arrangements and contracts in place to oversee the delivery of the service the uncertainty associated with the current situation can only be partially managed, hence the unmitigated score of 16. With regards to IT a fully worked up proposal has been developed to ensure SNC ICT can be migrated to the new unitary. This approach has been externally validated. CDC remains a positive partner to SNC with regards to ICT and is pressing for a clear timeframe to ensure separation is smooth and delivered during 2021. Without a clear agreement as to timeframes there remains a risk that CDC will be required to support SNC's ICT migration which could prevent closer joint working with OCC. However, there is not a greater risk posed to CDC business continuity, security or operational delivery associated with this risk. Work has begun exploring options for payroll migration, there is a risk that the aspirations of WNC are not matched by resource to deliver at their required pace.	The majority of services have now separated or been moved into a new service delivery arrangement. Although Customer Services has now been successfully separated, there is a lack of clarity with regards to CSN and IT in the transition into the unitary. Plans are being prepared to ensure both areas are ready to separate in line with unitary deadlines. Work has begun to explore the impact of local government reorganisation on the jointly owned arm's length company that delivers revenues and benefits services. This will require additional resource and oversight if a decision to separate is taken. A proposal to separate IT as SNC transitions into West Northants has been agreed by SNC but West Northants has not yet engaged. There is a risk that prolonged delay will prevent CDC working with OCC on future proposals. Work is ongoing to ensure the proposal is progressed. West Northants Council have still not yet set out any long term vision for the delivery of revenues and benefits and therefore their aspirations for CSN. Whilst we have governance arrangements and contracts in place to oversee the delivery of the service the uncertainty associated with the current situation can only be partially managed, hence the unmitigated score of 16. With regards to IT a fully worked up proposal has been developed to ensure SNC ICT can be migrated to the new unitary. This approach has been externally validated. CDC remains a positive partner to SNC with regards to ICT and is pressing for a clear timeframe to ensure separation is smooth and delivered during 2021. Without a clear agreement as to timeframes there remains a risk that CDC will be required to support SNC's ICT migration which could prevent closer joint working with OCC. However, there is not a greater risk posed to CDC business continuity, security or operational delivery associated with this risk. Work has begun exploring options for payroll migration, there is a risk that the aspirations of WNC are not matched by resource to deliver at their required pace.	Risk reviewed – 10/03/21 risk rating remains heightened and unchanged. Commentary updated
L18 -	<b>Workforce Strategy</b> The lack of effective workforce strategies could impact on our ability to deliver Council priorities and services.	Limit our ability to recruit, retain and develop staff  Impact on our ability to deliver high quality services Overreliance on temporary staff Additional training and development costs	3	4	12	Analysis of workforce data and on-going monitoring of issues.  Key staff in post to address risks (e.g. strategic HR business partners) Weekly Vacancy Management process in place Ongoing service redesign will set out long term service requirements	Partially effective  Fully Fully Partially	Councillor Ian Corkin	Claire Taylor	Karen Edwards	3	3	9	↔	Development of relevant workforce plans. IT has build a new reporting system with a RAG rating to update each area indicating and/or forecasting significant staff pressures when they happen due to COVID-19. This data is monitored weekly at Silver. HR monitors and report sickness absence data on a weekly basis.  Development of new L&D strategy, including apprenticeships.  Development of specific recruitment and retention strategies. New IT system is being implemented to improve our workforce data. The ability to interrogate and access key data (ongoing) in order to inform workforce strategies.	Training on workforce planning for the HR team planned to start across both CDC and OCC during Quarter 4.	Risk reviewed 10/03/2021 - No changes

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2020/21																	
L19 -	<p><b>Covid-19 Community and Customers</b></p> <p>Significant spread of the Covid-19 virus results in potential impacts in terms of customers and communities. Including community resilience, ability to access services, consequences of prolonged social distancing or isolation, economic impacts to business, including but not limited to the visitor economy.</p>	<p>Possible reductions in frontline service delivery, events, meetings and customer contact.</p> <p>Economic hardship impacting local business and potentially the local workforce.</p> <p>Impact on vulnerable residents who may find it harder to access services.</p> <p>Increased demand on both frontline and enabling services.</p> <p>Prolonged risk of social isolation and the mental and physical consequence thereof.</p>	5	4	20	<p>Business Continuity Plans have been reviewed and tested to ensure the ongoing delivery of priority services.</p> <p>Remote (home based) working in place, to facilitate self isolation and limit impact on service delivery.</p> <p>Communications stepped up, to support remote working, reinforce national guidelines and set out the current organisational response.</p> <p>Regular updates from Director of Public Health, shared internally and externally. Partnership communications. Partnership communications enhanced and regular conversations convened.</p> <p>Regular teleconference with local councils and emergency services discussing updates, concerns and best practice. (in-line with usual business continuity and emergency planning protocols). Mutual aid where appropriate with regional Thames Valley partners enable a tactical response to community resilience.</p> <p>Tactical response to community resilience.</p> <p>Creation of a dedicated telephony helpline to support the most clinically extremely vulnerable (shielded) residents in the county and operating extended hours each day.</p> <p>Provision of additional body storage as temporary place of rest to support the current mortuary provision.</p> <p>Face to face customer events e.g. wedding ceremony, library provision ceased in line with government guidance.</p> <p>Engagement with suppliers to manage impacts across the supply chain.</p>	<p>Fully</p> <p>Partially</p> <p>Fully</p> <p>Partially</p> <p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Fully</p> <p>Partially</p>	Councillor Barry Wood	Yvonne Rees	Rob MacDougall	4	4	16	↔	<p>Ongoing review and implementation of Council and partnership business continuity and emergency planning arrangements.</p> <p>COVID19 security on building in place to support the restart of services and this is being coordinated by the Organisational Recovery Steering Group and CEDR</p> <p>An urgent review of business continuity plans has taken place to adjust for COVID19 disruption and impacts of the 2nd wave of infection.</p> <p>Outbreak planning and Standard Operating Procedures completed and table top exercising has been completed and the learning has been incorporated into plans. 21/22 Business Impact Assessments due to be completed by end of March 21 as part of the annual business continuity cycle.</p>	<p>The nature of the risk is such that national public health guidelines will determine the councils' response. The councils will enact any support schemes as set out by national government as they emerge.</p> <p>Oxfordshire Health Protection Board is operating effectively and the Council has set up Command and Control structures to response to the 2nd wave of the pandemic.</p> <p>Community Testing is now available to all staff.</p>	Risk reviewed 08/03/21 - Comments updated

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2020/21																	
L20 -	<b>Covid-19 Business Continuity</b> Significant staff absence due to the Covid-19 19 virus results in potential impacts on frontline service delivery and the ability to run the councils' business on a day to day basis.	Possible reductions in frontline service delivery, events, meetings and customer contact.  Potential confusion amongst staff with regards to how to plan and respond to reduced service availability, professional support and maintain business as usual.  Requirement to reprioritise service delivery.  Requirement to offer mutual aid to partner organisations.  Potential impact in the medium to long term resilience of staff may result in wider wellbeing issues.	5	4	20	Business Continuity Plans have been reviewed and tested.  Guidance has been prepared for managers to support agile working. A survey is taking place to ensure we are meeting remote working needs, facilities management are working to create covid compliant work spaces.  Remote working in place.  Staff communications stepped up, to support remote working, reinforce national guidelines and set out the current organisational response.  Regular updates from Director of Public Health, shared internally and externally.  Regular teleconference with local councils and emergency services discussing updates, concerns and best practice. (in-line with usual business continuity and emergency planning protocols).  Regular communication messages following Public Health advice.  Sanitisers in washrooms.  Agile working being tested further across services, ensuring equipment and access is in place.  Posters around the offices encouraging regular hand washing. Hand sanitisers available in washrooms and shared spaces.	Fully  Partially  Fully  Fully  Fully  Partially  Fully  Fully	Councillor Barry Wood	Yvonne Rees	Claire Taylor	4	4	16	↔	Ongoing review and implementation of Council and partnership business continuity and emergency planning arrangements. Full health, safety and HR response in place. IT remote working arrangements are sustainable.  The nature of the risk is such that national public health guidelines will determine the councils' response. Progress establishing the local outbreak plans and the Health Protection Board support mitigation of risk. Requirements of national lockdown arrangements are in place. Staffing absence is monitored weekly. Risk heightened due to increased incidence of Covid-19 in the district  Risk heightened due to rising rates of Covid infection locally. Whilst workforce incidence remains low, the impact of lockdown and the national Covid pathway requires flexibility within the workforce and with regards to service operations. Following review and the ongoing lockdown there remains no change to this risk.	Risk reviewed – 10/03/21 Comments updated	

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2020/21																	
L21-	Post Covid-19 Recovery - challenges associated with adverse impact on customers, our workforce and the budget.	Long term response to the current covid-19 pandemic				Work underway, a governance programme is currently under development. Executive has agreed a recovery strategy working is underway to transition from an emergency planning environment to recovering environment.	Partially							Governance programme to be shared and implemented.	Work is ongoing to support recovery from Covid, necessarily focused on support for voluntary groups and implementing the various grants and support arrangements available.	Risk reviewed 10/03/21 Risk reviewed and comments updated	
		Requirement to review service delivery	4	4	16	Working through a new corporate programme underpinned by policy research.	Partially	Councillor Barry Wood	Yvonne Rees	Claire Taylor	4	3	12	↔	CEDR and ELT working towards new corporate programme liaising with Insight and policy support.	Work is underway in partnership with Oxfordshire County Council to explore the role economic development will take in supporting the recovery and proposals are under development.	
		Budget implications				In year Budget will be considered by Executive in August to ensure the Council remains in a financially sustainable position in year.	Partially							In year budget on track.	The COMF (contain outbreak management fund) allocation to Cherwell has confirmed and plans are under development to ensure effective allocation of this grant to reduce the incidence of COVID in Cherwell and support the community.		
L22	Elections May 2021 – delivery of safe and legally sound elections on 6 May 2021	Non delivery of a legal and transparent election process resulting in legal challenge, undemocratic process and or complaints. Loss of confidence from participants if polling stations and count venue aren't deemed Covid safe, leading to a risk of low voter turnout, problems recruiting staff and compromised engagement from candidates/agents.				Corporate wide approach taken to delivering the election with specialists from service areas supporting different aspects.	Fully	Returning officer						Plan and risk register in place and regularly reviewed Weekly project board meetings chaired by the Returning Officer. All polling stations inspected for Covid compliance Test session being run between participation authorities to ensure connectivity (between authorities and venues ahead of verification/count) Publicity drives undertaken internally and externally to achieve additional staffing	The Elections Project Board meet weekly to go through issues and agree actions. Key risks are around Covid compliance of polling stations and reluctance of some schools to allowing elections on site. All polling stations are being visited and checked for Covid compliance against Gov guidelines, with appropriate mitigations being put in place. Further risk of insufficient staff to run polling stations and count due to concerns over Covid. Various comms channels being used to appoint sufficient Polling Station staff, including working through the LEP. Discussions taking place about the possibility of putting count staff in bubbles so as to limit impact of any Covid related illness	Risk reviewed 15/04/2021 - Mitigating actions and Comments updated	
		New councillors not elected	5	4	20	Specific risk register for the election in place and regularly reviewed	Fully		Yvonne Rees	Steve Jorden	3	4	12	↔	Election project plan and detailed risk register in place.	First and second briefings held for District Election Agents and PARO briefing and training sessions also diarised, to take place before the end of April.	
		Legal challenge					Fully							Staff working on the election at all levels receive relevant and appropriate training			

#### L04 - Local Plan Risk

The latest Local Development Scheme is that approved by the Executive in March 2020. It includes the programmes for the Partial Review of the Local Plan, the Oxfordshire Plan 2050, a Local Plan Review, the Banbury Canalside Supplementary Planning Document and work on a Community Infrastructure Level (CIL).

##### **Partial Review**

The Partial Review of the Cherwell Local Plan was adopted by Council on 7 September 2020. It is now part of the statutory development plan. A legal challenge to the Plan is to be heard by the courts in June 2021.

##### **Oxfordshire Plan 2050**

A Growth Deal commitment. The Plan is being prepared by a central Plan team appointed through the Oxfordshire Growth Board. The Council contributes to the plan-making process as a partner with a view to it being adopted as part of the Development Plan upon completion.

Public consultation on an Issues Paper ended on 25 March 2019. A public 'call for location ideas' ended on 12 April 2019. The central Plan team is evidence gathering and preparing 'spatial options' for Plan development. On 24 November 2020, the Oxfordshire Growth Board agreed a further revision to the timetable for completion of the Plan. This allows for public consultation on a formal Options Paper in Summer 2021, consultation on a proposed Plan in Spring 2022, submission for Examination in September 2022 and adoption in 2023. The Plan covers five Local Planning Authority areas, is not under the immediate control of Cherwell officers and can be affected by wider regional influences. There is therefore continuing risk of some delay.

##### **Local Plan Review**

The timetable for the district-wide Local Plan review in the new Local Development Scheme requires:

- commencement in April 2020
- Consultation on Issues: July-August 2020
- Consultation on Options: February-March 2021
- Consultation on a draft Plan: October-November 2021
- Consultation of a Proposed Submission Plan: July-August 2022
- Submission for Examination: November 2022

An issues consultation was prepared and completed in accordance with the LDS. Work has continued in considering the representations received. However, in view of the delay to the Oxfordshire Plan process, and in light of a necessary internal review of resources and service demands, the precise timetable for the Local Plan is having to be reconsidered. Expected national changes to the planning system could also affect how the plan is completed.

##### **Banbury Canalside Supplementary Planning Document**

The timetable for the Banbury Canalside SPD as set out in the new Local Development Scheme requires:

- preparation: March-September 2020
- formal consultation: September-October 2020
- adoption: December 2020

Staff resources have been focused on Local Plan work which has led to delay in re-commencing work on the SPD. A corporate review of the work needed for Canalside is also taking place which could affect whether/how the SPD is taken forward.

##### **Community Infrastructure Levy (CIL)**

The timetable for CIL as set out in the new Local Development Scheme is aligned to Local Plan preparation. It requires:

- re-commencement: March 2021
- focused consultation on a draft charging schedule: October-November 2021
- formal consultation on a draft charging schedule: July-August 2022
- potential (if approved) submission of charging schedule: November 2022

Work on CIL has not yet recommenced due to other priorities. Expected changes to the planning system may affect the decision whether or not to proceed.

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**Cherwell**  
DISTRICT COUNCIL  
NORTH OXFORDSHIRE

# **Risk and Opportunities Management Strategy**

## **2021/22**

<b>Owner:</b> Section 151 Officer/Corporate Director: Customers, Organisational Development and Resources.
<b>Author:</b> Head of Insight and Corporate Programmes
<b>Date of next review:</b> March 2022

**Version History:**

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



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# Section 1: Introduction

## 1.1 An overview of Risk Management

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

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

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

Risk, can therefore be defined as:

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

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

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

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

## 1.2 Benefits of Risk Management

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

- raising awareness of significant risks assisting in the efficient control of the risks
- allocating responsibility and accountability for risks and associated controls and any actions required to improve controls
- aiding the process of strategic and business planning
- identifying new opportunities and supporting innovation
- providing a framework for the for the effective management of Leadership risks
- aiding effective partnership working, particularly in terms of identifying shared risks

### 1.3 Strategy Objectives

The objectives of the Risk and Opportunities Management Strategy are to:

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

### 1.4 Risk Appetite

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

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

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

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

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

## 1.5 Embedding Risk Management

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

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

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

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

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

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

## Section 2: Risk Management Processes

### 2.1 The Risk Management Process

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



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

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

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

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

### 2.2 Identifying Risk and Opportunity

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

For each Leadership risk identified the following should be considered:

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

For each opportunity identified the following should be considered established:

- Details of the opportunity identified
- Allocation of responsibility for the opportunity
- Any additional risks that this opportunity raises (including financial)
- Actions necessary to make use of the opportunity and mitigate risks, if appropriate.

#### **Identifying different types of risk:**

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

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

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

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

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

## **Operational Risks**

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

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

## **Programme / Project Risks**

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

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

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

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

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

## Shared risks

A risk can be described as shared when it has an impact on both organisations' priorities/services (although it may not be an equal impact), when both organisations must work together to mitigate and control it or when it is escalated to a joint service or programme/project. If a risk is identified as shared it will appear on the councils' risk register.

## 2.3 Assessing Risk

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

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

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

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

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

Inherent Risk Score	How the risk should be managed
<b>High Risk</b> (16-25)	<b>Requires active management</b> Risk requires active management to manage down and maintain the exposure at an acceptable level. Escalate upwards.
<b>Medium Risk</b> (10 -15)	<b>Contingency Plans</b> A robust contingency plan may suffice together with early warning mechanisms to detect any deviation from the profile.
<b>Low Risk</b> (1 – 9)	<b>Good Housekeeping</b> May require some risk mitigation to reduce the likelihood if this can be done cost effectively, but good housekeeping to ensure that the impact remains low should be adequate. Re-assess frequently to ensure conditions remain the same.



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

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

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

### **Organisational risk profile**

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

## 2.4 Managing and Controlling Risk

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

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

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

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

### The Four T's

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

**Tolerate:** The councils' may tolerate a risk where: -

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

**Treat:** This is the most widely used approach: -

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

**Terminate:** Doing things differently and therefore removing the risk.

This is particularly important in terms of project risk but is often severely limited in terms of the Leadership risks of an organisation.

**Transfer:** Transferring some aspects of the risk to a third party.

For example, via insurance, or by paying a third party to take the risk in another way. This option is particularly good for mitigating financial risks, or risks to assets. However, it is a limited option – very few Leadership risks are insurable and only around 15 -20% of operational risks can be insured against.

## 2.5 Reviewing and Reporting on Risk

Leadership risks will be reported to committees regularly and reviewed monthly by CEDR. This review involves consideration of all Leadership risks facing the council, which could impact on the achievement of council strategic priorities, which could impact across more than one service, and significant partnership risks.

The review should focus on four key factors:

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

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

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

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

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

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

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

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

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

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

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

### **Integrating Risk and Performance Management**

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

## **2.7 Linking risk to programmes and projects**

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

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

## Risk Management responsibilities in project environments

Corporate Management CEDR	Responsible for providing and ensuring adherence to the Risk and Opportunities Management Strategy
Programme Senior Responsible Owner	Accountable for risk management actions agreed at Programme Board level, following escalation from projects
Assistant Director	Accountable for risk management actions agreed at DMT following escalation from projects and operational risks within the Directorate
Project Sponsor	<ul style="list-style-type: none"> <li>Accountable for all risk management within the project, and for putting in place a risk management approach or strategy specific to the project</li> <li>Ensures all risks associated with the project business case are identified, assessed and controlled</li> <li>Triggers an escalation</li> </ul>
Senior user/customer/client board member	Responsible for ensuring all risks to users are identified, assessed and controlled
Senior supplier board member	Responsible for ensuring all risks to delivery are identified, assessed and controlled
Project Manager	<ul style="list-style-type: none"> <li>Creates the project-specific risk management approach as directed by the sponsor</li> <li>Responsible for creating and maintaining the risk register in line with requirements of the Risk and Opportunities Management Strategy, ensuring risk identification, assessment and control measures are implemented.</li> </ul>

## **Section 3: Roles and Responsibilities**

### **3.1 Accountability**

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

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

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

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

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

### **3.2 Council Committees**

#### **Accounts, Audit and Risk Committee (Cherwell District Council)**

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

### **Executive (Cherwell District Council)**

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

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

### **3.3 Section 151 Officer**

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

### **3.4 Chief Executive Director Reports (CEDR)**

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

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

### **3.5 Insight Team**

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

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

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

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

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

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

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

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

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

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

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

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



### **4.3 Internal Audit**

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

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

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

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

### **4.4 External Audit and Review**

#### **External Audit**

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

#### **Review Agencies and Inspectorates**

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

## **Section 5: Corporate Governance**

### **5.1 Annual Governance Statement**

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

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

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

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

### **5.2 Statements of Assurance**

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

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

## Section 6: Contacts and Further Guidance

### 6.1 Contacts

Lorna Baxter – S151 Officer  
[Lorna.Baxter@cherwell-dc.gov.uk](mailto:Lorna.Baxter@cherwell-dc.gov.uk)

Claire Taylor – Corporate Director: Customers, Organisational Development and Resources  
[Claire.Taylor@cherwell-dc.gov.uk](mailto:Claire.Taylor@cherwell-dc.gov.uk)

Louise Tustian – Head of Insight & Corporate Programmes  
[Louise.Tustian@cherwell-dc.gov.uk](mailto:Louise.Tustian@cherwell-dc.gov.uk)  
Telephone: 01295 221786

### 6.2 Supporting Documents / Guidance

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

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

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## **Cherwell District Council**

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

**21 June 2021**

### **Housing Benefit Subsidy**

### **Report of the Director of Finance**

This report is public

#### **Purpose of report**

To provide members of this Committee with an update on the Housing Benefit subsidy claim audit for the financial year 2019-2020.

#### **1.0 Recommendations**

The meeting is recommended:

- 1.1 To note the contents of the report

#### **2.0 Introduction**

- 2.1 Housing Benefit (HB) is a means tested benefit, administered by local authorities on behalf of the Department for Work and Pensions (DWP). HB is intended to help claimants meet housing costs for rented accommodation both in the private and the social rent sector. The administration of HB is now very complex due to the ever-changing regulations. During recent years there have been over 100 changes to the scheme making it increasingly difficult to train officers and to make accurate assessments. The introduction of the full Digital Service for Universal Credit is also impacting on the workload within the Benefits team. The caseload for working age customers is expected to reduce in Cherwell as people transfer to Universal Credit. However, Councils will retain the more complex cases for working age customers such as temporary and supported accommodation, Housing Benefit for those of pension age and Discretionary Housing Payments for Housing Benefit and Universal Credit.
- 2.2 Local authorities reclaim HB that has been paid to claimants by submitting annual subsidy claims to the DWP. The subsidy claim details the HB expenditure which is recorded in various cells on the form. The claim divides the total caseload into various claim types. Within the Cherwell claim one item of data collection accounts for over £26m in HB expenditure.

- 2.3 There are complex subsidy rules that determine how much of the HB expenditure by the Council is recouped from the Government. Where HB has been correctly paid, DWP will normally provide 100% subsidy to the Council. However, where HB has been overpaid, DWP provides different rates of subsidy.
- Claimant error overpayments attract 40% subsidy
  - Local authority error overpayments are more complex and the DWP offers an incentive to encourage local authorities to be pro-active in reducing the level of local authority errors. The level of subsidy that local authorities may claim for local authority error is determined by thresholds, expressed as a percentage of the value of correct payments made. The thresholds are 0.48% (lower threshold) and 0.54% (upper threshold). Where the local authority error overpayments are less than or equal to the lower threshold local authorities receive 100% subsidy. Where they are more than the lower threshold but less than the upper threshold, local authorities receive 40% subsidy. No subsidy is payable on the value of overpayments that are above the upper threshold.
- 2.4 Each local authority's appointed external auditor is required to certify that the annual claim is fairly stated and to report any errors to the DWP in a covering letter that accompanies the claim. Where there are errors, the claim is qualified and the DWP will seek to reduce subsidy payments to the Council. 80% of councils have been qualified on their subsidy claim. Although the value of any errors may be low the DWP method of extrapolation means that the value will be substantially increased. Although it is widely recognised that the extrapolation method is unfair there is no opportunity to challenge this with Government
- 2.5 This report is to provide members with an update on the Housing Benefit subsidy claim and the audit of the claim for 2019-2020.

### **3.0 Report Details**

#### **Background**

- 3.1 Cherwell District Council (CDC) outsourced the transactional back office functions of its Revenues and Benefits service in February 2010 to Capita. In September 2015 CDC Executive approved a business case for insourcing the Revenues and Benefits service. At the same time, it was agreed that the Cherwell Revenues and Benefits data be migrated from the legacy Northgate system to the Capita Academy system so harmonising systems across Cherwell and South Northants Councils. These huge changes had an impact on performance and whilst performance is much improved over recent years the impact of both the insourcing and the system migration are still being realised in the audit for 2019-2020.

#### **Housing Benefit Subsidy**

- 3.2 For the financial year 2019-2020 CDC submitted a Housing Benefit claim with a total value of £26,579,698. The audit of the subsidy claim was undertaken by Ernst and Young using a methodology determined by the DWP. Due to resourcing issues

EY requested an extension for completion of the audit which was formally agreed by Department for Work and Pensions

3.3 Initial testing is undertaken and if this testing identifies any error and the auditor is unable to conclude that the error is isolated the DWP methodology requires that an additional sample of 40 cases is tested which is focused on the error.

3.4 The DWP methodology also requires auditors to extrapolate the results of the initial and additional testing by multiplying the subsidy cell total by the proportion of the sample value that is found to be in error. For example: a cell has a total value of £642,134. The cases selected for checking from the cell have a total value of £9,450. Errors are found totalling £574 (6.1% of the sample selected). The adjustment to the claim would be 6.1% of the total cell value so £39,003.

Testing of the initial sample of 40 claims for CDC identified the following problems:

#### Non-Housing Revenue Account

- incorrect application of earnings on 1 claim resulting in an underpayment of benefit and therefore no impact on subsidy
- 1 claim where Housing Benefit on two homes was paid in error as housing costs were paid by Universal Credit. The remaining claims were checked with no errors. The claim form was amended.
- 1 claim with incorrect rent applied resulting in an overpayment of benefit. All remaining claims in this cell were checked and no errors found. The claim form was amended.
- 1 claim with incorrect Child Tax Credit amount. All claims in the cell were checked and no further errors found. The claim form was amended.

#### Rent Allowances

- Incorrect calculation of earnings on 3 claims which resulted in an overpayment. Additional testing was then carried out.
- 3 claims had a report error which is a recognised system issue known to Capita. The claim form was amended to correct these errors and they are excluded from extrapolation.
- 1 claim was identified as a misclassification of an overpayment. Additional testing of 40 cases was completed.
- 3 claims had errors resulting in underpaid benefit. No extended testing was carried out.

3.1 In line with the requirements of the subsidy audit additional testing was also carried out based on the preceding audit findings (known as cumulative assurance knowledge and experience or CAKE). This resulted in additional testing on overpayments (claimant error and earned income calculation), tax credits calculation, family premium awards, eligible rent.

3.2 As per DWP methodology an additional sample of claims was selected for each of the problem areas A summary of the errors found is shown below:

Sample	Number of	Type of error
--------	-----------	---------------

	<b>errors</b>	
40 earned income rent allowance	14	Incorrect calculations of earned income. 10 cases resulted in overpayments of housing benefits with errors ranging from £0.09 to £365. 4 cases resulted in underpayments.
40 rent allowance income of self-employed	15	Initial testing showed no errors but extended testing as a result of CAKE.  7 cases resulting in overpayments totalling £6,434 8 cases with no impact on award of housing benefit.
40 rent allowances rent calculation	3	Initial testing showed no errors, but extended testing based on CAKE. 3 cases resulted in overpaid benefit of £30
40 overpayments	7	6 cases resulting in an overpayment of £78  1 case which resulted in nil impact on award of housing benefit.

- 3.3 The value of the original errors found were relatively low but the DWP extrapolation process means that the values are much increased. A summary of the financial impact is shown below:

Area	Error	Financial impact	Comments
Earned income	Incorrect income calculation	£28,073	Original cell total £26,049,842
Rent Allowances self-employed income	Incorrect calculation of self-employed income	£34,124	Original cell £26,049,842
Rent Allowances rent calculation	Incorrect rent calculation	£4,168	Original cell £26,049,842
Rent Allowances overpaid benefit	Incorrect classification of eligible overpayments	£207	Original cell £26,049,842

- 3.4 When the original subsidy claim was submitted in April 2020 the value of the local authority error overpayments was between the lower threshold and the upper threshold and therefore the 'additional' subsidy incentive was claimed. It is likely that the additional subsidy will be payable. This decision will be made by the Secretary of State.
- 3.5 The overall value of the subsidy claim for 2019-2020 was in excess of £26m. Putting the errors further into context the value of the original errors was £7,642. However, the DWP method of extrapolation means that the value increased to around £66,572. Although it is widely recognised that the extrapolation method is unfair there is no opportunity to challenge this with Government and, whilst this is a much improved position on the 2018-2019 claim, the Council has no choice but to repay the sum based on the decision made by the DWP. The Council has recently received notification that the sum to be recovered will be £174,606 which is a



combination of the above £66,572 and £108,034. The latter being overpaid subsidy for local authority error as our threshold was exceeded due to the extrapolated sums and therefore, is due for repayment.

- 3.6 Every effort will be made to prevent further loss of HB subsidy in the future although it is impossible to accuracy check all HB assessments carried out which total over 34,000 per year for Cherwell.
- 3.7 During 2020-2021 the Interim Subsidy Improvement Officer has been working with the Benefits team to identify subsidy problem areas and a considerable amount of training has been undertaken including sessions on self-employed assessments, income and earnings. This will be followed by increased accuracy checking to ensure that the training has been successful.
- 3.8 The subsidy claim for 2020-2021 will be submitted in April 2021. The auditors will then undertake a detailed audit in Autumn 2021 We have no way of knowing which claims will be reviewed in the auditor's sample which will again include additional testing on the areas identified during the 2019-2020 audit process and this makes it very difficult to offer any assurances on the level of subsidy that may be payable for 2020-2021

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

- 4.1 Members are requested to note the contents of this report.

#### **5.0 Consultation**

- 5.1 None

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

- 6.1 None

#### **7.0 Implications**

##### **Financial and Resource Implications**

- 7.1 The financial implications are as outlined within the report, with the repayment of 2019-2020 subsidy being accounted for within the Councils 2020/21 outturn and reserves estimations.

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845,  
michael.furness@cherwell-dc.gov.uk

##### **Legal Implications**

7.2 There are no legal implications directly related to this information report.

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious, Tel: 01295 221695, Email: richard.hawtin@cherwell-dc.gov.uk

### **Risk Implications**

7.2 There are no risk implications.

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes Tel: 01295 221786, Email; Louise.Tustian@oxfordshire.gov.uk

## **8.0 Decision Information**

### **Key Decision**

**Financial Threshold Met:** N/A

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

### **Wards Affected**

All

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

This links to the Council's priorities of a district of opportunity and sound budgets and a customer focused council

### **Lead Councillor**

Councillor Tony Ilott, Lead Member for Financial Management and Governance

### **Document Information**

#### **Appendix number and title**

None

#### **Background papers**

None

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

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## **Cherwell District Council**

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

**21 June 2021**

### **Final 2019/20 Annual Audit Letter**

### **Report of the Director of Finance**

This report is public

### **Purpose of report**

To make the Committee aware of the final 2019/20 Annual Audit Letter and 2019/20 Audit Fee

### **1.0 Recommendations**

The meeting is recommended to:

- 1.1 Note the final 2019/20 Annual Audit Letter
- 1.2 Note the £101,410 audit fee for work over and above the 2019/20 scale fee of £40,138.

### **2.0 Introduction**

- 2.1 The Committee received the final draft of the 2019/20 accounts at its meeting in March 2021. The Committee received an Audit Results Report from the external auditors in March 2021 that summarised the findings of the audit at that stage. The accounts were agreed and signed on 22 April 2021. The external auditors have now produced their 2019/20 Annual Audit Letter. This sets out the overall conclusion of the audit and the Audit Fee for 2019/20.
- 2.2 Audit fees are set based on the Public Sector Audit Appointments (PSAA) Scale Fee. However, there are regularly elements of work that are in excess of the standard assumptions contained within the scale fee. This report sets out the basis for the additional costs for the 2019/20 audit of £101,410.

### **3.0 Report Details**

- 3.1 The overall conclusion of the 2019/20 audit has resulted in an unqualified audit opinion, meaning that the accounts provide a “true and fair view” of the financial position of the Council as at 31 March 2020. The audit also concluded that the

Council has proper arrangements in place to secure value for money in its use of resources.

- 3.2 The 2019/20 audit scale fee was £40,138. In addition to the standard audit work, a further £101,410 of work was carried out as part of the 2019/20 audit. This work related to:

<b>Additional Work</b>	<b>£</b>	<b>Notes</b>
Address professional and regulatory requirements and scope associated with risk	43,423	Proposed to increase the Scale Fee by this amount
Group Accounts Work	12,022	Usually results in additional costs
One-off work for Covid-19	19,341	
Additional work around Property, Plant and Equipment risk	11,713	Usually results in additional costs, in particular around the valuation of Castle Quay
Costs incurred for slippage and prior year adjustments	10,227	
Rescheduling the audit	4,684	
	101,460	

- 3.3 For context, additional audit fees in 2018/19, 2017/18 and 2016/17 were £33,977, £38,751 and £31,537 respectively.

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

- 4.1 The Committee should be aware of the auditors final opinion following the outcome of the audit and the costs of the audit including variations to the standard scale fee.

## **5.0 Consultation**

None

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

- 6.1 None

## **7.0 Implications**

### **Financial and Resource Implications**

- 7.1 Costs had been accrued as part of the 2020/21 accounts assuming total audit costs of c£100k. As a result a further c£40k will have to be found in 2021/22 to fund the balance. The budget for the audit fee had been increased for 2021/22, but if the audit fee is a similar amount in 2021/22 then this will result in a further financial pressure of c£30k in 2021/22.

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845,  
[michael.furness@cherwell-dc.gov.uk](mailto:michael.furness@cherwell-dc.gov.uk)

### **Legal Implications**

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

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious Business

[richard.hawtin@cherwell-dc.gov.uk](mailto:richard.hawtin@cherwell-dc.gov.uk), 01295 221695

### **Risk Implications**

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

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes

[louise.tustian@cherwell-dc.gov.uk](mailto:louise.tustian@cherwell-dc.gov.uk), 01295 221786

## **8.0 Decision Information**

**Key Decision** N/A

**Financial Threshold Met:** N/A

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

**Wards Affected**

All

**Links to Corporate Plan and Policy Framework**

All Corporate Plan Themes

**Lead Councillor**

N/A

**Document Information**

**Appendix number and title**

- Appendix 1 – 2019/20 Annual Audit Letter

**Background papers**

None

**Report Author and contact details**

Michael Furness, Assistant Director of Finance, 01295 221845,

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

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# Cherwell District Council

Annual Audit Letter for the year  
ended 31 March 2020

28 May 2021

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. Above the 'Y' is a yellow triangle pointing to the right. The logo is positioned in the bottom right corner of the page, partially overlapping the background image of an open book and a blurred office setting.

Building a better  
working world

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk)).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.





Section 1

# Executive Summary

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# Executive Summary

We are required to issue an annual audit letter to Cherwell District Council (the Council) following completion of our audit procedures for the year ended 31 March 2020. Covid-19 had an impact on a number of aspects of our 2019/20 audit. We set out these key impacts below.

Area of impact	Commentary
<b>Impact on the delivery of the audit</b>	
▶ Changes to reporting timescales	As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.
<b>Impact on our risk assessment</b>	
▶ Valuation of Property Plant and Equipment (PPE) and Investment Properties	The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Council's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of PPE and investment properties.
▶ Disclosures on Going Concern	Financial plans for 2020/21 and medium term financial plans need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Council would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Council's actual year end financial position and performance.
▶ Events after the balance sheet date	We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Council.
<b>Impact on the scope of our audit</b>	
▶ Information Produced by the Entity (IPE)	We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk: <ul style="list-style-type: none"> <li>• Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and</li> <li>• Agreed IPE to scanned documents or other system screenshots.</li> </ul>
▶ Consultation requirements	Additional EY consultation requirements concerning the impact on auditor reports. The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform.

# Executive Summary (cont'd)

The tables below set out the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's:	
▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2020 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Statement of Accounts.
▶ Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that the Council have proper arrangements to secure value for money in its use of resources.

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Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

# Executive Summary (cont'd)

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was presented to the Accounts, Audit & Risk Committee on 17 March 2021.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 23 April 2021.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Maria Grindley  
Associate Partner  
For and on behalf of Ernst & Young LLP

Section 2

# Purpose and Responsibilities

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# Purpose

## The Purpose of this Letter

The purpose of this annual audit letter is to communicate the key issues arising from our work and which we consider should be brought to the attention of the Council to Members and external stakeholders, including members of the public,.

We have already reported the detailed findings from our work in our 2019/20 Audit Results Report to the Accounts, Audit & Risk Committee on 17 March 2021, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

# Responsibilities

## Responsibilities of the Appointed Auditor

Our 2019/20 audit work was undertaken in accordance with the Audit Plan that we issued in May 2020 and the subsequent scope updates communicated through the draft Audit Results Report presented to committee on 18 November 2020. Our audit was conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors, we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2019/20 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.

Reporting by exception:

- ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
- ▶ Any significant matters that are in the public interest;
- ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
- ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Council is below the specified audit threshold of £500m, so we did not perform any additional audit procedures on the return.

## Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

# Financial Statement Audit

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# Financial Statement Audit

## Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 23 April 2021.

Our detailed findings were reported to the 17 March 2020 Accounts, Audit & Risk Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Inappropriate capitalisation of revenue expenditure due to fraud or error</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>From our risk assessment, we have assessed that the risk manifest itself solely through the inappropriate capitalisation of revenue expenditure to improve the financial position of the general fund.</p> <p>Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts, so we focused on the judgement applied to these classifications.</p> <p>We focused our substantive testing on the risk of incorrectly classifying revenue expenditure as capital additions, this would decrease the net expenditure from the general fund, and increase the value of non-current assets.</p>	<p>We sample tested additions to property, plant and equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised.</p> <p>We did not identify any issues with management's accounting policies or practices in relation to opting to finance expenditure from capital sources.</p> <p>Capital expenditure in relation to Investment is not material, so we focused our testing on property, plant and equipment capital additions and also Revenue Expenditure Financed from Capital Under Statute (REFCUS) capital additions.</p> <p>Our testing of capital additions did not identify any instances where expenditure had been inappropriately capitalised.</p>

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p>Valuation of Property, Plant and Equipment ("PPE") and Investment Property ("IP")</p> <p>In our audit plan, we identified a significant risk around the valuation of Castle Quay. During the year, in the light of the COVID-19 pandemic, we extended the significant risk to consider all PPE and IP.</p> <p>The value of PPE at £133.6 million and Investment Properties IP at £69.3 million, at 31 March 2020, represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Management is required to make material judgements on inputs and apply estimation techniques to calculate the year-end balances in the balance sheet. These judgments cover both assets that are revalued within the year and, the continuing material accuracy of those valued in prior periods.</p> <p>The Council engaged an external expert valuer who applied a number of complex assumptions to these assets. As the Council's asset base is significant, and the outputs from the valuer are subject to estimation and there is a risk fixed assets may be materially misstated. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>Following Covid-19, The Royal Institute of Chartered Surveyors (RICS), has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty.</p>	<p>We confirmed that the Authority's valuers are members of RICS and registered valuers. We reviewed the instructions provided to the valuer against the requirements of the Code and IFRS and found no issues.</p> <p>For a sample of assets we assessed whether the valuation basis was appropriate and whether the assumptions used were supportable and reperformed the valuers' calculations.</p> <p>We challenged the information provided by the valuer as the management's expert.</p> <p>We considered the impact of assets not revalued in year, and whether this could lead to a material misstatement of the closing asset valuation.</p> <p>We updated our risk assessment in light of the impact of Covid-19 and the fact that the external valuer had highlighted a 'material uncertainty' in their valuation report. As a result we instructed our internal valuers to support us with our work in this area.</p> <p>We asked our internal valuers to support us with a review of a range of assets across the portfolio including property, plant and equipment and investment properties.</p> <p>We considered the impact of assets not revalued in year and the fact that assets valuations occur effective as at 1 April 2019. We challenged officers on the material correctness of valuations at that date and officers are considering possible indexation and the impact that this could have across the portfolio.</p> <p>The following material amendments were made:</p> <ul style="list-style-type: none"><li>- Town Centre House was initially overvalued by £2.652m</li><li>- Car parks were initially overvalued by £3.56m</li><li>- Spaceball car park was reclassified from land &amp; buildings to assets under construction</li></ul> <p>We concluded that the valuation of PPE and IP is materially correct as at 31 March 2020.</p>

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Inherent Risk	Conclusion
<p>Going Concern Disclosure</p> <p>This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.</p> <p>The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Accounts, Audit &amp; Risk Committee.</p> <p>The CIPFA Guidance Notes for Practitioners 2019/20 accounts states:</p> <p>'The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.'</p> <p>'If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis.'</p>	<p>We:</p> <ul style="list-style-type: none"><li>• Assessed the adequacy of disclosures required in 2019/20, and the impact on our opinion.</li><li>• Obtained management's going concern assessment and review for any evidence of bias and consistency with the accounts;</li><li>• Reviewed the financial modelling and forecasts prepared by the Council. We considered key assumptions, stress testing applied to those assumptions and the risk to cashflow up to the date of 12 months after the signing date of the accounts and opinion;</li><li>• Ensured that an appropriate going concern disclosure has been made within the financial statements;</li><li>• Reviewed the Council's approach to identifying and disclosing events after the balance sheet date; and</li><li>• Considered the impact on our audit report and complied with EY consultation requirements.</li></ul> <p>Based on the procedures performed we were content that the Council will have a positive cash balance at least 12 months from the date the audit opinion is signed. In addition, we were also content that the assumptions used by management as part of their going concern assessment were prudent and realistic.</p> <p>However, we identified some improvement points in the going concern and Covid-19 disclosures included in the draft financial statements. Management amended the financial statements to take into account the improvement points noted.</p>

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Areas of Audit Focus	Conclusion
<p><b>Pension Liability Valuation</b></p> <p>The Local Council Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Northamptonshire County Council.</p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2020 this totalled £31.155 million.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the designated actuary.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We have performed the following procedures to address this risk:</p> <ul style="list-style-type: none"><li>• Liaised with the audit team of Oxfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council.</li><li>• Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used, by relying on the work of PwC, the consulting actuaries commissioned by the PSAA for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team.</li><li>• Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to the pension disclosures.</li></ul> <p>As highlighted above, the auditor of Oxfordshire Pension Fund provides assurances to the Cherwell District Council audit team on the information that is supplied to the actuary (Hyman Robertson) to allow them to complete their year end pension valuation.</p>

# Financial Statement Audit (cont'd)

## Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £1.6m (2018/19 £1.8m) which is 2% of gross expenditure on provision of services.</p> <p>We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	<p>We communicated to the Accounts, Audit &amp; Risk Committee that we would report to the Committee all audit differences in excess of £107k (2018/19 £122K).</p>

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We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: we agreed all disclosures back to source data and approved amounts.
- ▶ Related party transactions: we tested the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

Section 4

# Value for Money



# Value for Money

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. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities' response to Covid-19 only as far as it relates to the 2019/20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019/20 VFM arrangements conclusion.

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At the time of planning, we identified no significant risks relevant to our value for money conclusion.

We performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people,



A photograph of a business meeting in progress. Several people are gathered around a large wooden conference table, looking at documents. A woman with blonde hair is leaning forward, resting her chin on her hand, looking intently at the papers. Other people's hands and arms are visible, some pointing at the documents. The background is slightly blurred, showing a bright, modern office environment with large windows and greenery.

Section 5

# Other Reporting Issues



# Other Reporting Issues

## Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes.

The Council is below the specified audit threshold of £500m, so we were not required to perform any additional audit procedures on the consolidation pack.

## Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

## Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

## Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

# Other Reporting Issues (cont'd)

## Objections Received

We did not receive any objections to the 2019/20 financial statements from members of the public.

## Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

## Independence

We communicated our assessment of independence in our Audit Results Report to the Accounts, Audit & Risk Committee on 30 March 2021. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

## Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Accounts, Audit & Risk Committee.

Section 6

# Focused on your future



# Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>It was proposed that IFRS 16 (Leases) would be applicable for local authority accounts from the 2021/22 financial year, deferred a year due to the impact of Covid-19.</p> <p>However in response to the ongoing pandemic and its pressures on council finance teams, CIPFA announced that the implementation will be deferred until the 2022-23 financial year. CIPFA has indicated that the deferral is limited to one year only and that there is no intention to grant any further extensions based on a lack of preparedness.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p>	<p>There are transitional arrangements within the standard and It is assumed this will be reflected in the 2021/22 Accounting Code of Practice for Local Authorities when published.</p> <p>CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>

Section 7

# Audit Fees

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# Audit Fees

Our base fee for 2019/20 is in line with the scale fee set by PSAA / as agreed in our Engagement Letter and reported in our 24 March 2021 Audit Results Report.

Description	Final Fee 2019/20 £	Scale Fee 2019/20 £	Final Fee 2018/19 £
Total Audit Fee - Code work (NB scale fee = planned fee for 2019/20)	40,138	40,138	40,138
Changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1 on following page)	43,423		
Revised Proposed Scale Fee	83,561		
Area of group focus: group considerations	12,022		15,723
Additional specific one-off work required for Covid-19 considerations (see Note 2 on following page)	19,341		
Additional work required for significant risk on PPE valuation (see Note 3 on following page)	11,713		7,257
Costs incurred for slippage, prior year adjustments, quality and rescheduling issues	10,227		10,997
Cost of rescheduling the audit	4,684		
Total Audit Fee	141,548		74,115
Non Audit Services - Housing Benefit Subsidy Claim Certification (See Note 4 on following page)	29,070		21,500

# Audit Fees

## Note 1

For 2019/20 the scale fee has been re-assessed to take into account a number of risk factors as outlined below:

- Procedures performed to address the risk profile of the Council - £20,637
- Additional work to address increase in Regulatory standards - £19,722
- Client readiness and IT support for Data Analytics - £3,064

This additional fee has not been agreed but has been highlighted to management and is subject to review and approval by PSAA Ltd.

## Note 2

We have quantified the additional work we have undertaken during 2019/20 as a result of Covid19, outlined below:

- Additional going concern considerations, including consultation processes - £8,953
- Reassessment of materiality and risks - £6,065
- Additional costs due to remote working - £2,599
- VFM conclusion - £1,724

This additional fee has not been agreed but has been highlighted to management and is subject to review and approval by PSAA Ltd..

## Note 3

We have quantified the additional work undertaken for the significant risk on PPE valuation. This additional fee has not been agreed but has been highlighted to management and is subject to review and approval by PSAA Ltd..

## Note 4

The fee for HB Subsidy is dependent on the extent of additional 40 plus testing workbooks required. Our fee includes a base fee of £4,590 plus fees varying from £1,020 to £3,060 for each 40 plus workbook required, depending on complexity. There were 9 sets of 40+ testing, totalling £24,480. The total fee is therefore £29,070.

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## **Cherwell District Council**

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

**21 June 2021**

### **2020/21 Statement of Accounts Review**

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

This report is public

### **Purpose of report**

To provide an opportunity for review of the draft 2020/21 Statement of Accounts.

### **1.0 Recommendations**

The meeting is recommended:

- 1.1 To note the report and raise any queries on the draft statement of accounts (Appendix 1).
- 1.2 To approve the accounting policies as approved by the Chief Finance Officer (Appendix 2).
- 1.2 To approve the draft Annual Governance Statement for 2020/21 (Appendix 3).

### **2.0 Introduction**

2.1 All local authorities must produce a statement of accounts annually to help ensure that there is appropriate stewardship of public finances. Statements of accounts are produced according to accounting standards to ensure that they are produced on a consistent standard and are comparable with other statements of accounts. Local Authority statements of accounts are produced by following the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code occasionally overrides accounting standards where statute takes precedence over accounting standards.

2.2 The Statement of Accounts is made up of the following elements:

- An introduction to Cherwell District Council (CDC) and what it has achieved over the year;
- The main financial statements:
  - Expenditure and Funding Analysis
  - Comprehensive Income and Expenditure Statement
  - Movement in Reserves Statement
  - Balance Sheet
  - Cashflow Statement
- Supporting Notes to the Accounts

- Supporting Notes (including the accounting policies)

2.3 The draft statement of accounts for 2020/21 must be published by 30 June 2021.

### **3.0 Report Details**

3.1 CDC has produced its draft statement of accounts for 2020/21, attached at Appendix 1. This report will provide an overview of what the CDC's draft statement of accounts says about the Council.

### **3.2 Introduction**

3.2.1 The Introduction to the Statement of Accounts provides an overview of Cherwell, its population and geography, as well as the Council's aims and objectives. An overview of what the Council has achieved throughout the year has also been included.

### **3.3 Expenditure and Funding Analysis**

3.3.1 The objective of the Expenditure and Funding Analysis (EFA) is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

3.3.2 The EFA also shows how this expenditure is allocated for decision making purposes between CDC's directorates within the General Fund. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

3.3.3 All figures shown in the EFA are net expenditure or (income) figures. Therefore, a figure without brackets shows a net cost and a figure with brackets is a net income item (see Appendix 4 for a guide to the use of brackets in the accounts).

3.3.4 Overall there is a deficit on the General Fund for the provision of services for the year of £19.7m. Whilst the net cost of services was a net income of (£23m), there was £42.7m of accounting adjustments. These primarily relate to the deficit on the business rates collection fund and asset revaluations.

### **3.4 Comprehensive Income and Expenditure Statement**

3.4.1 The CIES shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the EFA and the Movement in Reserves Statement (MIRS).

3.4.2 All figures shown in the CIES with brackets are income and without brackets are expenditure.

3.4.3 The CIES shows that the total expenditure on services in 2020/21 was £91.3m, whilst total income generated by services was (£49.2m), resulting in a net cost of

services of £42.1m. Other costs and income (including taxation) resulted in the Council having total expenditure of £121.5m, total income of (£101.8m) and net expenditure of £19.7m.

### **3.5 Movement in Reserves Statement**

- 3.5.1 The MIRS shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves' (e.g. the Revaluation Reserve which holds unrealised gains and losses from the revaluation of assets or the Capital Adjustment Account which holds adjustments between the accounting basis and funding basis under regulations).
- 3.5.2 This statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net (Increase)/Decrease line shows the statutory General Fund Balance in the year following those adjustments.
- 3.5.3 The MIRS combines both levels of reserves held (balances) and changes in the level of reserves that have happened through the year. Where the Council holds a reserve with a (balance) at the end of the year this is shown with brackets. If the Council held a negative reserve, this would be shown without brackets, though no negative reserves are shown in the MIRS.
- 3.5.4 Where there is a change in the year that contributes to - (increases) - a reserve this is shown with brackets. Where there is a use of - decreases - a reserve this is shown without brackets.
- 3.5.5 The Council's general reserve has increased by (£3.1m) to (£5.1m). Other usable reserves have increased by (£27.1m) to (£53.6m), meaning total usable reserves as at 31 March 2021 are (£58.7m). The increase relates primarily to business rates S31 grants which will be used to offset the business rates collection fund deficit in 2021/22.
- 3.5.6 Total unusable reserves have decreased by £75.4m to £53.6m as at 31 March 2021. The decrease relates primarily to the business rates collection fund deficit, asset revaluations.

### **3.6 Balance Sheet**

- 3.6.1 The balance sheet shows the values as at 31 March 2021 of the assets and (liabilities) recognised by the authority. The net assets of the authority - assets less (liabilities) - are matched by the reserves held by the authority, analysed between 'useable' and 'unusable' reserves, shown in the bottom portion of the Balance Sheet.
- 3.6.2 Assets are shown without brackets, whilst (liabilities) are shown with brackets. As with the MIRS, reserve (balances) are shown with brackets.
- 3.6.3 The Balance Sheet is split between long-term and short-term items. Long-term items are expected to last or mature after a period of more than 1 year. Short-term items are expected to last or mature for less than 1 year.

3.6.3 The Council holds long-term assets of £303.4m and short-term assets of £81m, resulting in total assets of £384.4m. Additionally, the Council has long-term (liabilities) of (£229.8m) and short-term (liabilities) of (£149.5m), resulting in total (liabilities) of (£379.3m). Therefore, the Council has net assets of £5.1m which have been funded by the (£5.1m) of reserves held by the Council.

### **3.7 Cash Flow Statement**

3.7.1 The Cash Flow Statement summarises the changes in cash and cash equivalents during 2020/21. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

3.7.2 Increases in cash - (inflows) - are shown with brackets. Reductions in cash – outflows – are shown without brackets.

3.7.3 Operating activities for the year resulted in decrease in cash of £7.7m. Investing activities resulted in net reductions in cash of £60m. Financing activities resulted in net increases in cash of (£67.4m). Overall, the Council saw an increase of the cash and cash equivalent assets it held for the year of (£2.9m).

### **3.8 Notes to the Accounts**

3.8.1 The notes to the accounts provide supporting information and additional detail for the main financial statements. Note 1 sets out the Council's accounting policies (set out in Appendix 2). The Council is required to set accounting policies which set out the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements. The accounting policies describe how the Council has interpreted and applied the Code of Practice on Local Authority Accounting.

3.8.3 The code states that The Chief Finance Officer is responsible for selecting 'suitable' accounting policies and ensuring that they are applied consistently in the preparation of the statement of accounts. The 2020/21 accounting policies, as set out in Appendix 2, have been approved by the Chief Finance Officer. All significant accounting policies have been selected with reference to the Code.

3.8.2 There have been no material changes to the accounting policies for 2020/21.

### **3.9 Annual Governance Statement**

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

3.9.2 During 2020/21, the coronavirus pandemic affected all authorities and the AGS comments upon the extent to which this impacted on the delivery of the Council's governance, both generally and as regards the response to COVID-19 itself. The AGS follows the principles and best practice advocated by CIPFA, the body which advises on good governance. CIPFA also advised that the AGS for 2020/21 should make reference to the Council's actions in complying with the Financial Management Code of Practice.

3.9.3 The format of the AGS reflects the good practice guidance from CIPFA, including their new guidance arising from the coronavirus outbreak. The AGS includes:

- An *opinion* on the Council's governance arrangements from the Council's senior managers and the leader of the Council
- A review of the *effectiveness* of the Council's governance arrangements
- A *conclusion* in relation to the effectiveness
- A review of the *action plan* from last year's statement
- An *action plan* for 2021/22
- An *annex* summarising our governance framework

3.9.4 Based on the position outlined in the AGS, the 'Opinion' expressed in the AGS is:

"It is our opinion that the Council's governance arrangements in 2020/21 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2021/22. It is our opinion that this has remained the case during the COVID-19 pandemic; and that despite the challenges posed by this, the Council's governance in dealing with the pandemic and our ability to maintain sound governance during the outbreak, has been effective."

## 4.0 Conclusion and Reasons for Recommendations

4.1 Accounts, Audit and Risk Committee is invited to review the draft statement of accounts and discuss these with officers to get an understanding of the statements and to ratify the Accounting Policies and Annual Governance Statement.

## 5.0 Implications

### Financial and Resource Implications

5.1 There are no financial implications as a result of this report.

Comments checked by:

Joanne Kaye, Strategic Finance Business Partner,  
01295 221545, [Joanne.Kaye@cherwell-dc.gov.uk](mailto:Joanne.Kaye@cherwell-dc.gov.uk)

### Legal Implications

5.2 The accounting policies in this report have been approved by the Council's Chief Financial Officer (Director of Finance). Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Chief Financial Officer to have responsibility for those arrangements.

Comments checked by:  
Richard Hawtin, Team Leader – Non-contentious, Tel: 01295 221695, Email:  
[richard.hawtin@cherwell-dc.gov.uk](mailto:richard.hawtin@cherwell-dc.gov.uk)

### **Risk Implications**

5.3 There are no risk management implications arising directly from this report

Comments checked by:  
Louise Tustian, Head of Insight and Corporate Programmes, 01295 221786,  
[louise.tustian@cherwell-dc.gov.uk](mailto:louise.tustian@cherwell-dc.gov.uk)

## **6.0 Decision Information**

**Key Decision** N/A

**Financial Threshold Met:** N/A

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

### **Wards Affected**

N/A

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

All

### **Lead Councillor**

N/A

## **Document Information**

<b>Appendix No and</b>	<b>Title</b>
1	Draft 2020/21 Statement of Accounts
2	Note 1 'Accounting Policies'
3	Annual Governance Statement
4	Summary of when brackets are used

### **Background Papers**

None

### **Report Author**

Michael Furness, Assistant Director of Finance  
[Michael.furness@cherwell-dc.gov.uk](mailto:Michael.furness@cherwell-dc.gov.uk), 01295 221845

## Cherwell District Council

### Account Audit and Risk Committee

21 June 2021

### Annual Report of the Chief Internal Auditor 2020/21

### Report of the Chief Internal Auditor

This report is public

#### Purpose of report

This is the annual report of the Chief Internal Auditor, summarising the outcome of the Internal Audit work in 2020/21, and providing an opinion on the Council's System of Internal Control.

#### 1. Recommendations

The committee is recommended to:

- 1.1 Consider and endorse this annual report.

#### 2. Introduction

- 2.1 This is the annual report of the Chief Internal Auditor, summarising the outcome of the Internal Audit work in 2020/21, and providing an opinion on the Council's System of Internal Control. The opinion is one of the sources of assurance for the Annual Governance Statement.
- 2.2 The basis for the opinion is set out in paragraphs 3.19 – 3.29, followed by the overall opinion for 2020/21 which is that there is **satisfactory** assurance regarding Cherwell District Council's overall control environment and the arrangements for governance, risk management and control.

#### 3. Report Details

##### Background

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

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

3.2 Our Internal Audit service conforms to the PSIAS 2017.

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

### **Responsibilities**

3.4 It is a management responsibility to develop and maintain the internal control framework and to ensure compliance. It is the responsibility of Internal Audit to form an independent opinion on the adequacy of the system of internal control.

3.5 The role of Internal Audit is to provide management with an objective assessment of whether systems and controls are working properly (financial and non-financial). It is a key part of the Authority's internal control system because it measures and evaluates the adequacy and effectiveness of other controls so that:

- The Council can establish the extent to which they can rely on the whole system; and,
- Individual managers can establish how reliable the systems and controls for which they are responsible are.

### **Internal Control Environment**

3.6 The PSIAS require that the internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

3.7 The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

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



## **The Audit Methodology**

- 3.9 The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). The annual self-assessment against the standards is completed by the Chief Internal Auditor. It is a requirement of the PSIAS for an external assessment of internal audit to be completed at least every five years. Our next external assessment is due Winter 2022.
- 3.10 The Internal Audit Strategy and Annual Plan for 2020/21 was presented to the July 2020 Accounts, Audit & Risk Committee. The Committee then received quarterly progress reports from the Chief Internal Auditor, including summaries of the audit findings and conclusions.
- 3.11 The Internal Audit Plan, which is subject to continuous review, identified the individual audit assignments. The activity was undertaken using a systematic risk-based approach. Terms of reference were prepared that outlined the objectives and scope for each audit. The work was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence in forming an overall opinion on the adequacy and effectiveness of the internal control framework.
- 3.12 Internal Audit reports provide an overall conclusion on the system of internal control using one of the following ratings:
- GREEN There is a strong system of internal control in place and risks are being effectively managed.
  - AMBER There is generally a good system of internal control in place and the majority of risks are being effectively managed. However, some action is required to improve controls.
  - RED The system of internal control is weak and risks are not being effectively managed. The system is open to the risk of significant error or abuse. Significant action is required to improve controls.
- 3.13 In appendix 1 to this report there is a list of all completed audits for the year showing the overall conclusion at the time audit report was issued, and the current status of management actions against each audit, (based on information provided by the responsible officers).
- 3.14 To provide quality assurance over the audit output, audit assignments are allocated to staff according to their skills and experience. Each auditor has a designated Audit Manager or Chief Internal Auditor to perform quality reviews at four stages of the audit assignment: the terms of reference, file review, draft report and final report stages.

## **The Audit Team**

- 3.15 During 2020/21 the Internal Audit Service was delivered by an in-house team, supported with the specialist area of IT audit, providing the audit service across both Cherwell District Council and Oxfordshire County Council. This joint working

approach has enabled us to build a more sustainable team with the skills and capacity resilience to help embrace current and future challenges. The audit management team strongly believe that working as an in-house internal audit function in any organisation drives an increased quality of output, as not only do the in-house team members have a good strategic and operational understanding of the organisation, but also have an ongoing commitment to organisational improvement and adding real value.

- 3.16 To enable us to deliver the joint service across Cherwell District Council and Oxfordshire County Council, additional resources were agreed, by CEDR (Chief Executives Direct Reports) for Internal Audit and Counter Fraud. We have undertaken several recruitment campaigns during the year and successfully recruited to Senior Auditor and Assistant Auditor posts. We also now have recruited to the dedicated Counter Fraud posts. Our Counter Fraud service is now provided to Cherwell District Council from 1 April 2021.
- 3.17 Throughout the year the Accounts, Audit & Risk Committee were kept informed of staffing issues and the impact on the delivery of the Plan.
- 3.18 It is a requirement to notify the Accounts, Audit & Risk Committee of any conflicts of interest that may exist in discharging the internal audit activity. There are none to report for 2020/21.

## **OPINION ON SYSTEM OF INTERNAL CONTROL**

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

- 3.19 The 2020/21 Cherwell District Council plan has been successfully completed.
- 3.20 The plan is intended to be dynamic and flexible to change. During quarter 1 of 2020/21 the priority for Internal Audit was to support the CDC Finance Team with the due diligence checks over Small Business Grants, Retail, Hospitality and Leisure Grants and Discretionary Grants which were introduced by Government in response to the Covid-19 pandemic. Whilst the onus was on Local Authorities to pass on the grant funding to local businesses quickly and efficiently to prevent local economic hardship or collapse; the high level of grant funding also presented Local Authorities with a significant fraud risk. The CDC Finance Team & CSN undertook all the initial validation checks, where those checks failed these were passed onto Internal Audit for further investigation. Internal Audit reviewed 201 cases. Internal Audit also supported the process by uploading limited company data onto the government's due diligence Spotlight system. As previously reported to the July 2020 Accounts, Audit and Risk Committee, the combined work of CDC Finance/CSN and the Internal Audit investigations have resulted in over £300k of applications not paid / blocked as incorrect / potentially fraudulent.
- 3.21 The completed internal audit activity and the monitoring of audit actions through the action tracker system enable the Chief Internal Auditor (CIA) to provide an objective assessment of whether systems and controls are working properly. In addition to the completed internal audit work, the CIA also uses evidence from other audit activity, including counter-fraud activity, and attendance on working groups e.g. Corporate Governance Assurance Group.

- 3.22 In giving an audit opinion, it should be noted that assurance can never be absolute; however, the scope of the audit activity undertaken by the Internal Audit Service is sufficient for reasonable assurance, to be placed on their work.
- 3.23 A summary of the work undertaken during the year, forming the basis of the audit opinion on the control environment, is shown in Appendix 1. There were no audits during 2020/21 with the overall grading as Red.
- 3.24 The overall opinion for each audit, highlighted in Appendix 1, is the opinion at the time the report was issued. The internal audit reports contain management action plans where areas for improvement have been identified, which the Internal Audit Team monitors the implementation of by obtaining positive assurance on the status of the actions from the officers responsible. The current status of those actions is also highlighted in appendix 1, for each audit. Reports on outstanding actions have been routinely reported to Corporate Directors and CEDR (Chief Executives Direct Reports). The Chief Internal Auditor's opinion set out below takes into account the implementation of management actions.
- 3.25 The Anti-fraud and corruption strategy remains current and relevant. In 2020/21 the Accounts, Audit and Risk Committee have been updated on reported instances of potential fraud. Most of these are minor in nature. Work has been undertaken to address the control weaknesses identified in each area identified to reduce the possibility or reoccurrence.
- 3.26 Internal Audit continue to manage the National Fraud Initiative data matching exercise which is completed once every two years. Key matches are investigated, and results are reported to the Accounts, Audit and Risk Committee in the quarterly updates.
- 3.27 It should be noted that it is not internal audit's responsibility to operate the system of internal control; that is the responsibility of management. Furthermore, it is management's responsibility to determine whether to accept and implement recommendations made by internal audit or, alternatively, to recognise and accept risks resulting from not taking action. If the latter option is taken by management, the Chief Internal Auditor would bring this to the attention of the Accounts, Audit and Risk Committee.
- 3.28 The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.
- 3.29 In arriving at our opinion, we have taken into account:
- The results of all audits undertaken as part of the 2020/21 audit plan;
  - The results of follow up action taken in respect of previous audits;
  - Whether or not any priority 1 actions have not been accepted by management - of which there have been none;
- (Priority 1 = Major issue or exposure to a significant risk that requires immediate action or the attention of Senior Management. Priority 2 = Significant issue that requires prompt action and improvement by the local manager)

- The effects of any material changes in the Council's objectives or activities;
- Whether or not any limitations have been placed on the scope of Internal Audit – of which there have been none.
- Corporate Lead Assurance Statements on the key control processes, that are co-ordinated by the Corporate Governance Assurance Group (of which the Chief Internal Auditor is a member of the group), in preparation of the Annual Governance Statement.

### Chief Internal Auditors Annual Opinion

In my opinion, for the 12 months ended 31 March 2021, there is **satisfactory** assurance regarding Cherwell District Council's overall control environment and the arrangements for governance, risk management and control.

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

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

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

See Appendix 2 for definitions of overall assurance opinion.

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

3.30 The outcomes of the audits, including a summary of the key findings are reported quarterly to the Accounts, Audit and Risk Committee. The summaries of the audits completed since the last report (March 2021) are attached as appendix 3;

- Implementation of new Finance System - Phase 3
- Discretionary Housing Payments and Homeless Prevention Hardship Fund 2020/21
- Revenue & Benefits Internal Audit 2020/21
- Payroll 2020/21

### Internal Audit Performance

3.31 The following table shows the performance targets agreed by the Accounts, Audit and Risk Committee and the actual 2020/21 performance.

Measure	Target	Actual Performance 2020/21 – as at 06/05/2021
Elapsed time between start of the audit (opening meeting) and the Exit Meeting	Target date agreed for each assignment by the Audit Manager, no more than three times the total audit assignment days	78% of the audits met this target.

Elapsed time for completion of the audit work (exit meeting) to issue of draft report	15 Days	<i>100% of the audits met this target.</i>
Elapsed time between issue of draft report and the issue of the final report	15 Days	<i>88% of the audits met this target.</i>
% of Internal Audit planned activity delivered	100% of the audit plan by end of April 2021.	<i>91% of the plan has been fully completed by the end of April 2021. One audit (Payroll) was finalised during May 2021.</i>
% of agreed management actions implemented within the agreed timescales	90% of agreed management actions implemented	<p><i>As at 6 May 2021</i></p> <p><i>122 actions being monitored on the system.</i></p> <ul style="list-style-type: none"> <li>• <i>59% implemented</i></li> <li>• <i>18% not yet due</i></li> <li>• <i>21% partially implem.</i></li> <li>• <i>2% overdue</i></li> </ul>
Customer satisfaction questionnaire (Audit Assignments)	Average score < 2 1 - Good 2 – Satisfactory 3 – Unsatisfactory in some areas 4 – Poor	<i>Average score was 2</i>
<i>Directors satisfaction with internal audit work</i>	<i>Satisfactory or above</i>	<i>The review of the effectiveness of internal audit is undertaken by the Monitoring Officer every two years. Next review planned for 2021.</i>

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

4.1 This report summarises the work of internal audit for 2020/21 and provides the annual audit opinion.

#### **5. Consultation**

5.1 None.

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

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

Option 1: No alternative options have been identified as this report is for information only.

## **7. Implications**

### **7.1 Financial and Resource Implications**

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

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845

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

### **Legal Implications**

- 7.2 The Accounts and Audit Regulations 2015 requires the council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance, and this report draws attention to the ongoing effectiveness of that undertaking. There are otherwise no legal implications arising directly from this report.

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious, 01295 221695

[richard.hawtin@cherwell-dc.gov.uk](mailto:richard.hawtin@cherwell-dc.gov.uk)

### **Risk Implications**

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

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes, 01295 221786

[louise.tustian@cherwell-dc.gov.uk](mailto:louise.tustian@cherwell-dc.gov.uk)

## **8. Decision Information**

### **Wards Affected**

All wards are affected

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

All corporate plan themes.

## **Lead Councillor**

Councillor Tony Ilott – Lead Member for Financial Management.

## **Document Information**

### **Appendix number and title**

- Appendix 1 - 2020/21 – progress with completion of 2020/21 Internal Audit Plan
- Appendix 2 - Annual Assurance Opinion Definitions
- Appendix 3 – Executive summaries of audits finalised since last update to AARC

### **Background papers**

None

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

Sarah Cox, Chief Internal Auditor  
Sarah.cox@cherwell-dc.gov.uk

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## APPENDIX 1: 2020/21 CDC Internal Audit Plan

Audit	Status	Conclusion	No of Mgmt Actions Agreed	Reported implementation status as at 5/5/2021
<b>Finance</b>				
Support with due diligence tests on Small Business Grants and Discretionary Grants	Complete	n/a	n/a	n/a – results reported to July 2020 AARC.
Revenues and Benefits (including debtors)	Final Report	Amber	9	9 not yet due
Implementation of new Finance System (design of internal controls / processes, including design of IT security controls)	Final Report	Green	13	12 reported as implemented, 1 not yet due.
Finance (Housing - Hardship Fund) - Discretionary Housing Payments / Hardship Fund	Final Report	Green	5	5 not yet due
<b>ICT</b>				
Cyber Security	Final Report	Amber	15	9 reported as implem, 1 superseded, 5 in progress
<b>HR</b>				
Payroll (including IT security controls)	Final Report	Amber	14	3 reported as implemented and 11 not yet due.
<b>Housing</b>				
Disabled Facilities Grant Processes (in addition to grant certification)	Final Report	Amber	12	6 reported as implemented, 4 not yet due
<b>Accounts, Audit &amp; Risk Committee</b>				
Handover of monitoring of management action implementation	Complete	n/a	n/a	n/a
Public Sector Internal Audit Standards – compliance	Complete	n/a	n/a	n/a
<b>Grants</b>				
Disabled Facilities Grant	Complete	Signed off	n/a	n/a
Addition to plan: Compliance and Enforcement Grant	Complete	Signed off	n/a	n/a

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## APPENDIX 2:

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

#### **Substantial**

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

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

#### **Satisfactory**

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

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

#### **Limited**

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

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

#### **No Assurance**

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

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

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## APPENDIX 3: Executive Summaries of audits finalised since last update to AARC.

### Implementation of new Finance System - Phase 3 2020/21

Opinion: Green	
Total: 4	Priority 1 = 0 Priority 2 = 4
Current Status:	
Implemented	3
Due not yet actioned	0
Partially complete	0
Not yet Due	1

The Council has implemented a new finance system from April 2021. Internal Audit have supported this major programme by reviewing the design of the future internal control framework prior to go-live. Future internal audit activity is planned for 2021/22 following implementation of the system to provide assurance on effectiveness of the operation of the key financial systems/processes.

#### Overall Conclusion

Our overall conclusion is Green. This is based on the scope of the work undertaken relating to the consideration of the implementation of key system controls.

Throughout the project, Internal Audit have observed strong project management. Issues arising during the course of the project have been identified on a timely basis and there has been a robust process for raising and resolving the issues arising either with the supplier or with colleagues across the Council.

Our key findings at phase 3, are reported below. Issues raised during Internal Audit's previous discussions on the project and in year reports that we have issued, have either been satisfactorily resolved by the Project Team or will be resolved through the management actions agreed. (9 management actions agreed at phase 2 – all 9 management actions have been implemented)

#### Key Findings

Due to changes in the way in which the new system operates in terms of approval levels and substitution arrangements, there is a need to confirm that the current Scheme of Financial Delegation is appropriate and that the policy on substitution arrangements is clear. Once the required approval and substitution processes have been clarified, there will be a need for clear communication to staff over the way in which this will work in the new system, as it will be different from what some had been used to under the old system.

The testing phase of the project has included detailed review of segregation of duties controls. Steps are included in the testing which allow the Project Team to monitor, review and validate the results of this testing. Additional detail will be included in the

Testing Report to the Board over the specific assurance that the testing is able to provide on this key area of system control.

Due to the December staffing re-structure, the current system build is in the process of being reviewed and updated to ensure that cost centres and workflow structures reflect the new structure. This is currently being tested with a view to the new structure being fully updated within the system in time for go live.

## Discretionary Housing Payments and Homeless Prevention Hardship Fund 2020/21

Overall conclusion on the system of internal control being maintained	<b>G</b>
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
A: Policies & Procedures	<b>G</b>	<b>0</b>	<b>1</b>
B: Applications	<b>G</b>	<b>0</b>	<b>1</b>
C: Payments	<b>G</b>	<b>0</b>	<b>0</b>
D: Management Information and Budget Monitoring	<b>A</b>	<b>0</b>	<b>3</b>
		<b>0</b>	<b>5</b>

Opinion: Green	
Total: 5	Priority 1 = 0 Priority 2 = 5
Current Status:	
Implemented	0
Due not yet actioned	0
Partially complete	0
Not yet Due	5

Discretionary Housing Payments, with a Government allocated budget of £382,842 for 2020/21, and the Homeless Prevention Hardship Fund, with a budget of £20,000 for 2020/21 and funded by the Government's Flexible Homeless Support Grant, are managed by two separate teams within Cherwell District Council, with different processes for assessing eligibility and awarding payments. Despite the split in activities, the audit found the two areas to be working closely to ensure residents are supported effectively and the funds are being used appropriately. Excellent examples were also noted on the Homeless Prevention Hardship Fund side, in which Cherwell District Council worked with other organisations such as Oxfordshire County Council's Children's Social Care Services or local charities, to share costs and support both individuals and families to secure appropriate and safe housing. Policies and procedures available to staff for both Discretionary Housing Payments and the Homeless Prevention Hardship Fund were found to be thorough and accessible, clearly setting out roles and responsibilities and enabling a consistent approach to use of the two funds. Guidance available to the public on Discretionary Housing Payments was also found to be clear, accessible and up to date, although it

was noted the version of the application form available on the Council website has not been updated to reflect recent changes to the form.

In terms of applications, sample testing across both Discretionary Housing Payments and the Homeless Prevention Hardship Fund found applications had been assessed accurately and payments awarded appropriately, with evidence to support both eligibility and the amount paid available in all cases. Applicants had been notified promptly of the outcome of their applications, and review of Academy accounts confirmed those supported by the limited Homeless Prevention Hardship Fund would not have been eligible for support under the Discretionary Housing Payment scheme.

The audit also reviewed a number of appeals against Discretionary Housing Payment decisions, finding all had been reviewed appropriately, promptly, and independent of the officer who made the initial decision. Where the outcome of the appeal had been in favour of the resident, this was found to be as a result of the resident providing additional evidence to demonstrate eligibility or financial hardship, rather than the original decision being overturned. Discretionary Housing Payment overpayments were also found to be well managed. Rather than the Council carrying out reviews to confirm ongoing eligibility, responsibility is placed on claimants to notify the Council of any changes that may affect their entitlement. This is clearly communicated to them throughout the application and award process in an effort to reduce overpayments. Sample testing of five overpayments that had occurred found recovery had been carried out appropriately in all cases.

All Homeless Prevention Hardship Fund applications are individually authorised in line with established sign off limits, as demonstrated during sample testing, meaning all payments are quality assured to ensure use of the fund is appropriate. However it was noted that on the Discretionary Housing Payments side, while delegation of the administration of Discretionary Housing Payments to one officer has allowed a fair and consistent approach to the assessment of applications, there is currently no quality checking process in place to provide assurance over the accuracy and integrity of decisions and payments made.

While appropriate budget monitoring processes were found to be in place for each of the housing support funds, issues were noted with the Government data returns for Discretionary Housing Payments, which are required at several points throughout the year. Data returns are split into two; mandatory returns providing figures on expenditure and the number of residents supported, and voluntary returns providing information on the circumstances under which payments were awarded. While it could be demonstrated that both sets of returns had been completed and, in the case of the mandatory returns, Section 151 Officer authorisation obtained, it was found that expenditure figures reported at each point in the year did not reconcile across the two returns.

## Revenue & Benefits Internal Audit Report 2020/21

Overall conclusion on the system of internal control being maintained	A
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
A: Policies & Procedures	G	0	2
B: Revenues (Council Tax & Business Rates)	A	0	3
C: Benefits / Payments	G	0	1
D: Debt Recovery	R	0	1
E: Management Information & Quality Assurance	A	0	2
		0	9

Opinion: Amber	
Total: 9	Priority 1 = 0 Priority 2 = 9
Current Status:	
Implemented	0
Due not yet actioned	0
Partially complete	0
Not yet Due	9

This audit of Revenue & Benefits was carried out over the second half of 2020/21, with sample testing focusing on work carried out in 2020. It is therefore acknowledged that as a result of Covid-19, CSN Resources, who are responsible for delivering a Revenue and Benefits service to Cherwell District Council and South Northants Council, has been under immense pressure over this period. Despite this they have ensured local businesses and residents are supported as effectively as possible via the administration of various Government schemes, including Business Grants and Test and Trace Self Isolation Support Payments, whilst also experiencing an increase in applications for financial support via Housing Benefit, Council Tax Reduction, and Business Rates relief.

It is acknowledged that this has additionally been a time of uncertainty over the future of CSN Resources due to the establishment of a unitary structure in Northamptonshire, the novation of CSN from South Northants Council to West Northants Council and the lack of clarity of direction the new council wishes to take. There have been multiple vacancies across the service from Officer level to Team Leader, meaning over the past year resource has been re-allocated to meet demand in priority areas. As a result of this limited capacity, some controls that are reportedly usually in place have not been actioned regularly, as identified in this report.

### Policies & Procedures

A review of policies, procedures, and guidance available to both the team and the public confirmed that overall, guidance is clear, accessible, up to date, and that responsibilities are clearly defined and understood. However, one area, the approval and processing of card refunds, was found not to be covered by current guidance. It



was also found that while fraud awareness training has been provided to staff, the team could benefit from financial safeguarding training, in order to be aware of, and know how to report, indicators of safeguarding concerns such as financial abuse.

### **Revenues**

Sample testing of both new Council Tax and new Business Rate accounts found applications had been dealt with promptly and accurately, and review of a sample of weekly reports from the Valuation Office showed changes to Council Tax bandings and businesses' rateable values have been actioned and reconciled to Academy promptly.

Council Tax discounts were also reviewed, noting errors in charging in five cases out of the 25 sampled. Three of these were a result of the wrong dates being applied to the accounts, resulting in two residents being overcharged and one being undercharged. In the other two cases, incorrect discounts had been applied. All five of these issues were put down to human error when queried, with four now corrected on Academy (with refunds/credits issued where necessary), and the final case being followed up with the resident. Similar issues were also noted with the sample testing of relief applied to Business Rates.

A system error was also identified in which notification letters sent to 28 residents following Council Tax discounts being awarded did not include any information relating to the discount. The templates have now been fixed by the Systems Team who were previously unaware of the issue.

While sample testing of Council Tax and Business Rates refunds found refunded values had been calculated accurately and returned via the correct method, delays of up to three months were noted between Officers notifying the resident or business that a refund was due, and requesting that refund on the system.

### **Benefits**

In relation to Benefits, sample testing of both new Housing Benefit applications and change in circumstances found the majority of cases had been processed accurately and promptly. Exceptions were noted in four cases however, one of which was an officer error resulting in an overpayment of Housing Benefit. This is now under recovery via a benefit deduction. The other exceptions were due to typos or established processes not being followed in full.

Other testing related to Benefits confirmed the adequacy of controls in place to process and reconcile payments, and reviewed the positive progress made against the Housing Benefit Subsidy Improvement Plan. Sample testing of Housing Benefit appeals found all had been dealt with appropriately.

### **Debt Recovery**

The audit did not undertake sample testing of Council Tax and Business Rates debt recovery (due to Covid-19 meaning Courts were closed for the majority of 2020), instead confirming appropriate controls are in place to identify both new and defaulted debt, and to ensure any payments made are coded to the correct account.

Testing was carried out on Housing Benefit Overpayments (HBOPs). Due to Covid-19, HBOP recovery was suspended from March to August 2020, and CSN Resources' two HBOP Officers, who are responsible for both Cherwell District Council and South Northants Council overpayments, were partially reassigned to

other areas throughout the year, reducing capacity to manage HBOPs. Acknowledging this, testing still identified weak controls in place to effectively monitor and follow up on outstanding debt, and various issues were found with the accuracy and timeliness of write offs.

From sample testing of 20 outstanding overpayments and 10 write offs, inaccuracies were found with the recovery statuses assigned to the debts. While weekly status reports would usually pick up on some of the issues identified, it was reported that due to capacity issues, these have not been run since October 2020. It was noted that in the cases sampled where the debt status appears as though recovery is active, the debt would not show up on the status reports and would therefore not be picked up by Officers. It was reported there are exception reports that can focus on particular problem areas however these have also not been run recently or routinely due to the increased workload as a result of Covid.

Communication with claimants regarding their overpayments was also found to be inconsistent. In three of the cases sampled, claimants were deemed no longer liable for their debt (either as a result of appeal or reassessment), however no evidence could be provided to Internal Audit to confirm the individual claimants had been informed of this.

Weaknesses were found with the timeliness and appropriateness of HBOP write offs. While no write offs have been processed in the past year due to Covid, a control weakness in the reconciliation and sign off process for write offs found cases put for write off dating back to 2017 which were not written off until January 2020 as, while the write off request form was completed, the case had not been coded for write off on Academy, meaning it was not picked up on the batch reports run to identify pending write offs. There are more recent examples, with write off forms for two claimants completed in the past 3 months, but the cases not coded for write off on Academy, meaning they will not be picked up when the next Academy write off report is run.

Further analysis carried out on all outstanding Housing Benefit Overpayments found multiple debts that, in line with best practice and the Council's Write Off Procedures, should be put forward for write off. This includes 196 claimants with debt that is uneconomical to recover (i.e. below £100 per claimant), only 5 have been put forward for write off.

In terms of appropriateness of write offs, one case was identified where a claimant, who had been making regular repayments, passed away, but no attempt was made to contact the executor of the estate, as set out in the Council's Write Off Policy. This case also highlighted an error in the application of the write off approval process, with the incorrect approval level sought, leaving part of the amount owed showing as recoverable on the system. A further case was identified in which the authorised write off was unnecessary as it was not an unrecoverable debt resulting from a Housing Benefit Overpayment.

## **Management Information & Quality Assurance**

The audit noted excellent results against the four key performance indicators in place across the Revenue & Benefits Service, despite the additional pressures experienced due to Covid. Review of the reporting methods used did, however, identify minor errors in the figures reported.

In terms of management information, it was noted that while reporting exists on Revenue collection and timeliness of Benefits processing, there is no monitoring or reporting on total outstanding debt levels for Council Tax, Business Rates, or Housing Benefit Overpayments, either corporately or within the Revenue & Benefits Service. While monthly updates are in place for HBOPs, this focuses on activity that month, with no information provided on overall overpayments outstanding.

The audit also reviewed the quality checking processes in place to provide assurance on the accuracy and integrity of claims processed. While quality checks, which involve sample checking a percentage of claims processed against set criteria, were found to be taking place and being followed up appropriately for the Entitlements Team, quality checking on the Revenues side has not taken place since October 2020 for Revenues Officers, and February 2020 for Housing Benefit Overpayment Officers. This was attributed to increased workload pressure as a result of Covid-19, with the Performance Officer usually responsible for carrying out these checks being involved in the grants work, and a number of the Revenue Officers having also been reassigned to business grants. Where quality checks have been carried out, these have been focused on new or temporary staff.

## Payroll 2020/21

Overall conclusion on the system of internal control being maintained	A
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Policies, Procedures, Roles & Responsibilities	A	0	5
Starters and Leavers	G	0	0
Variations, Adjustments, Deductions & Additions to Pay	A	0	4
Payroll Control	G	0	0
Management Information	N/A	N/A	N/A
IT Controls	A	0	5
		0	14

Opinion: Amber	
Total: 14	Priority 1 = 0 Priority 2 = 14
Current Status:	
Implemented	3
Due not yet actioned	0
Partially complete	0
Not yet Due	11

The audit of Payroll identified strong arrangements in place to ensure the accuracy, timeliness, and legitimacy of payments. Starters and leavers were generally found to be processed promptly, with variations to pay also being applied accurately. The

audit also found effective controls in place to ensure the integrity of payment data prior to payment runs, as well as independent authorisation of the payment file.

Areas where the need for improvements were identified include policies and procedures, with a number of policies joint with South Northants Council, for which Cherwell no longer provide a payroll service (a full payroll service was provided for SNC until 31 March 2021 and so was in place at the time of audit testing), and having not been reviewed for up to nine years. Management information was not covered as part of the audit, although it was noted improvements could be made in some areas, such as reporting on overtime and monitoring of temporary contracts.

iTrent, the new HR and Payroll system, went live in February 2020, with a strategic review also carried out by Midland HR, the supplier of iTrent, to identify any improvements or amendments. The findings mainly relate to the HR side and are currently being worked through by management. A review of IT controls carried out as part of this audit has identified improvements for the areas of security and access.

### **Policies, Procedures, Roles & Responsibilities**

Review of all policies and procedures found appropriately authorised documents exist for key payroll processes, and guidance is available to staff and managers via the intranet. Roles and responsibilities were found to be clearly defined and established in relation to payroll processes. It was however noted that the policies, a number of which are joint between CDC and SNC, have not been reviewed in up to nine years. Several gaps in guidance were identified, including how managers should process leavers and how Payroll should arrange recovery of outstanding balances (e.g. training fees) or overpayments when an employee is leaving / has left the Council.

### **Starters and Leavers**

Sample testing of starters and leavers found processes are generally being completed promptly and accurately. The new starters sampled had been appropriately authorised, with initial salary payments correct in all cases. The majority of contracts had been issued on day one as a minimum, although one exception was noted in which the contract was issued nine days after the employee's start date.

In terms of leavers, 8/10 sampled had been processed promptly. For the two exceptions, leaver forms were completed by managers retrospectively, four and 20 days after the employee's leaving date. Neither of these delays resulted in overpayments, although the case with a four-day delay did result in an underpayment to the employee, who was a casual worker, as the holiday pay had not been calculated for the final month. A further underpayment was identified during testing, due to a casual employee's final month's pay not being pulled through after the employee moved to a permanent role. These had both been identified and corrected prior to the audit, and it was reported that as the underpayments were a result of weaknesses in the processing of casual employee leavers, additional checks have since been implemented.

With the exception of the case referred to above, annual leave calculations for leavers were found to be carried out correctly, and in the two cases where it was identified money was owed to the Council (e.g. training fees), details were included in the employees' resignation confirmation letters and the amounts were recovered in pay prior to the leaving dates.

## **Variations, Adjustments, Deductions & Additions to Pay**

Sample testing carried out as part of the audit found the majority of changes to pay to have been authorised and calculated correctly, with resulting payments made accurately. This included both voluntary and mandatory deductions, changes and updates to tax codes, implementation of the pay award, and various variations to pay, for example maternity leave, unpaid leave, and statutory sick pay.

The audit identified weaknesses with honorarium payments, with misunderstandings by managers in the completion of the contract change form for two of the requests sampled, resulting in the vacancy management process approving incorrect amounts or grades. In terms of payments made, both errors had been identified and corrected prior to the audit, one before the payment was made and one the following month, with a back payment to address the underpayment that had occurred. It was noted that the honorarium calculation corrected prior to payment had not been back through the approval process.

Instances were noted in which some employees claimed a high level of overtime throughout the 2020/21 financial year. While monthly overtime reports are shared with HR Business Partners, these only provide the data for that month, meaning total payments across the year is not readily accessible for monitoring and oversight.

It was highlighted to Audit that the monitoring of temporary contracts and temporary contract changes is currently a manual process, due to issues with workflows within iTrent preventing automated reporting on contracts and changes that are approaching their end dates.

## **Payroll Control**

The audit noted effective processes in place to ensure the accuracy and integrity of payment data prior the payment run. Error, warning, and variance reports are all reviewed by the Payroll Team as part of the monthly payroll checklist with any issues investigated and resolved. Duplicate checks are also carried out, along with visual sense checks, before being sent to the Payroll Manager for a final check. An independent review is then carried out by Finance, checking the BACS file, Gross to Net report, iTrent reports, and the BACS control account, and doing a final sense check of the figures before authorising the payment.

Once payroll has run, processes are in place to ensure the accuracy of the BACS run and investigate any errors or failed payments. Finance also carry out reconciliations between iTrent / payroll, Unit4, and the General Ledger.

Following the implementation of Unit4, new reports are being developed to enable reporting on salaries. At the time of audit testing this had not yet been rolled out, but it is intended managers will receive cost centre manager training and be able to run reports for their business area to allow oversight and monitoring of payroll costs.

## **IT Controls**

The new iTrent HR and Payroll system is a cloud-based solution. There is a Service Level Agreement with the supplier which covers roles and responsibilities, including taking regular backups of the system. The payroll system comes with an audit trail facility and testing confirmed that there is a comprehensive level of auditing in place. The following IT control weaknesses / risks were identified:

- Users on the internal network are authenticated to the system using single sign-on, i.e. based on their network login credentials, although it is possible to

get access to the system via a web portal. There is web portal access to the live, test and development environments. The web portals are accessible outside the corporate network but are not subject to multi-factor authentication, which presents an increased risk of unauthorised access;

- There are four users with system administrator level access, which is high given the small number of overall users within HR and Payroll and could mean that some have a higher level of access than they need (it has been reported that this will be addressed as part of the strategic review);
- It is not known if the password to the default system administrator account has been changed and hence there is a risk that it could be set with a default password, which could be used to gain unauthorised access;
- There is no policy for managing archived audit trail data, which could impact on free space within the database; and
- The Service Level Agreement has been signed on behalf of the Supplier but not the Council to confirm it agrees to all defined terms and service levels.

**Definition of Internal Audit RAG opinions:**

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

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## **Cherwell District Council**

### **Account Audit and Risk Committee**

**21 June 2021**

### **Internal Audit Strategy and Plan 2021/22**

#### **Report of the Director of Finance**

This report is public

#### **Purpose of report**

The report presents the Internal Audit Strategy and Plan for 2021/22.

#### **1. Recommendations**

The meeting is recommended:

- 1.1 to note and comment on the Internal Audit Strategy and Plan for 2021/22.

#### **2. Introduction**

- 2.1 This report presents the Internal Audit Strategy and Internal Audit Plan for 2021/22. A separate plan for Counter-Fraud activity will be presented to the July 2021 Committee.

- 2.2 Appendix 3 sets out the annual Internal Audit plan for 2021/22.

- 2.3 The key focus of audit activity during the year includes

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

#### **3. Report Details**

##### **Background**

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

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

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

### **Audit Planning Methodology**

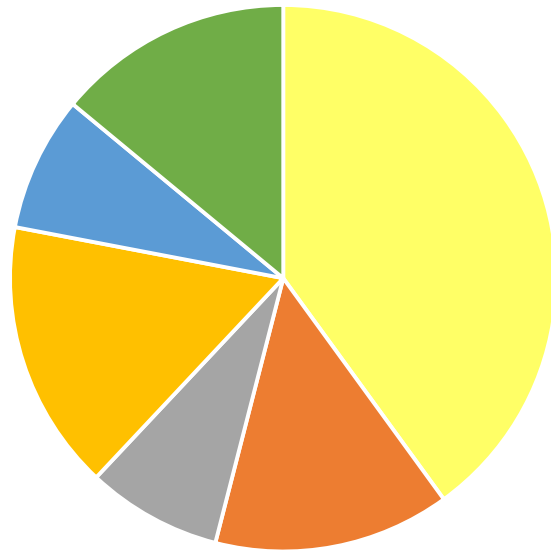
- 3.5 The Internal Audit Plan is developed to consider the corporate vision and priorities of Cherwell District Council, the Leadership Team’s (CEDR) priorities and management’s assessment of risk as set out in the strategic risk register. The audit plan includes cross referencing to those priorities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

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

### **Internal Audit Resourcing**

- 3.12 From 1 April 2020, the Internal Audit team commenced a joint working approach, providing the internal audit service across both Oxfordshire County Council (OCC) and Cherwell District Council (CDC). From 1 April 2021 OCC also now provide the Counter Fraud Service to CDC. One of the key benefits of this arrangement is being able to build a more sustainable team with the skills and capacity resilience that will help embrace future challenges. We were provided additional resources across Internal Audit and Counter Fraud, to be able to provide the joint service and during 2020/21 we successfully recruited to the new posts. The audit management team strongly believe that working as an in-house internal audit function in any organisation drives an increased quality of output, as not only do the in-house team members have a good strategic and operational understanding of the organisation, but also have an ongoing commitment to organisational improvement and adding real value.
- 3.13 The 2021/22 internal audit structure is included in Appendix 1. The Accounts, Audit & Risk Committee are regularly updated regarding the Internal Audit resourcing position.
- 3.14 The planned chargeable days available to CDC in 2021/22 = 215. This includes days spent directly on audit assignments and also days spent on non-audit assignment work, for example audit planning, committee and senior management team meeting attendance, follow up of agreed management actions, production of the annual report. The following chart shows an approximate split of chargeable audit activity days across auditable areas.

CDC Split of audit activity 2021/22



- Finance - 40%
- HR - 14%
- Information Governance - 8%
- IT - 16%
- Environment and Place - 8%
- Other (e.g. grant certification) - 14%

### **Counter-Fraud**

3.15 Internal Audit have the responsibility for Counter-Fraud. The Counter Fraud Strategy and Plan for 2021/22 will be presented to the July Accounts, Audit & Risk Committee. This will include combined Counter Fraud/Internal Audit activities.

### **Quality & Performance**

3.16 OCC/CDC Internal Audit operates in conformance with the Public Sector Internal Audit Standards. We promote excellence and quality through our audit process, application of our Quality Assurance Improvement Programme and training and development. During 2021/22 we will be supporting two members of staff to complete the Chartered Internal Audit qualification. We are supporting another two members of staff to complete the Certified Internal Audit Qualification. We also have two apprentices within the team – one Counter Fraud and one for Internal Audit.

3.17 We use a number of ways to monitor our performance, respond to feedback and seek opportunities to improve. Evidence of the quality of our audits is gained through feedback from auditees and the results of supervision and quality assurance undertaken as part of our audit process.

3.18 The performance indicators for 2021/22 are attached as appendix 2 to this report.

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

- 4.1 This report summarises the audit planning methodology, resourcing and strategy for delivery of the internal audit function for 2020/21. It presents the internal audit plan, progress against which will be reported back to the committee on a quarterly basis.

## **5. Consultation**

- 5.1 Not applicable.

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

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

Option 1: No alternative options have been identified as this report is for information only.

## **7. Implications**

### **Financial and Resource Implications**

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

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845

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

### **Legal Implications**

- 7.2 The Accounts and Audit Regulations 2015 requires the council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance, and this report draws attention to the ongoing effectiveness of that undertaking. There are otherwise no legal implications arising directly from this report.

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious, 01295 221695

[richard.hawtin@cherwell-dc.gov.uk](mailto:richard.hawtin@cherwell-dc.gov.uk)

### **Risk Management Implications**

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

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes 01295 221786  
[louise.tustian@cherwell-dc.gov.uk](mailto:louise.tustian@cherwell-dc.gov.uk)

## **8. Decision Information**

### **Wards Affected**

All wards are affected

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

All corporate plan themes.

### **Lead Councillor**

Councillor Tony Ilott – Lead Member for Financial Management.

## **Document Information**

### **Appendix number and title**

- Appendix 1 – Internal Audit Structure Chart 2021/22
- Appendix 2 – Internal Audit Performance Indicators 2021/22
- Appendix 3 – Internal Audit Plan 2021/22

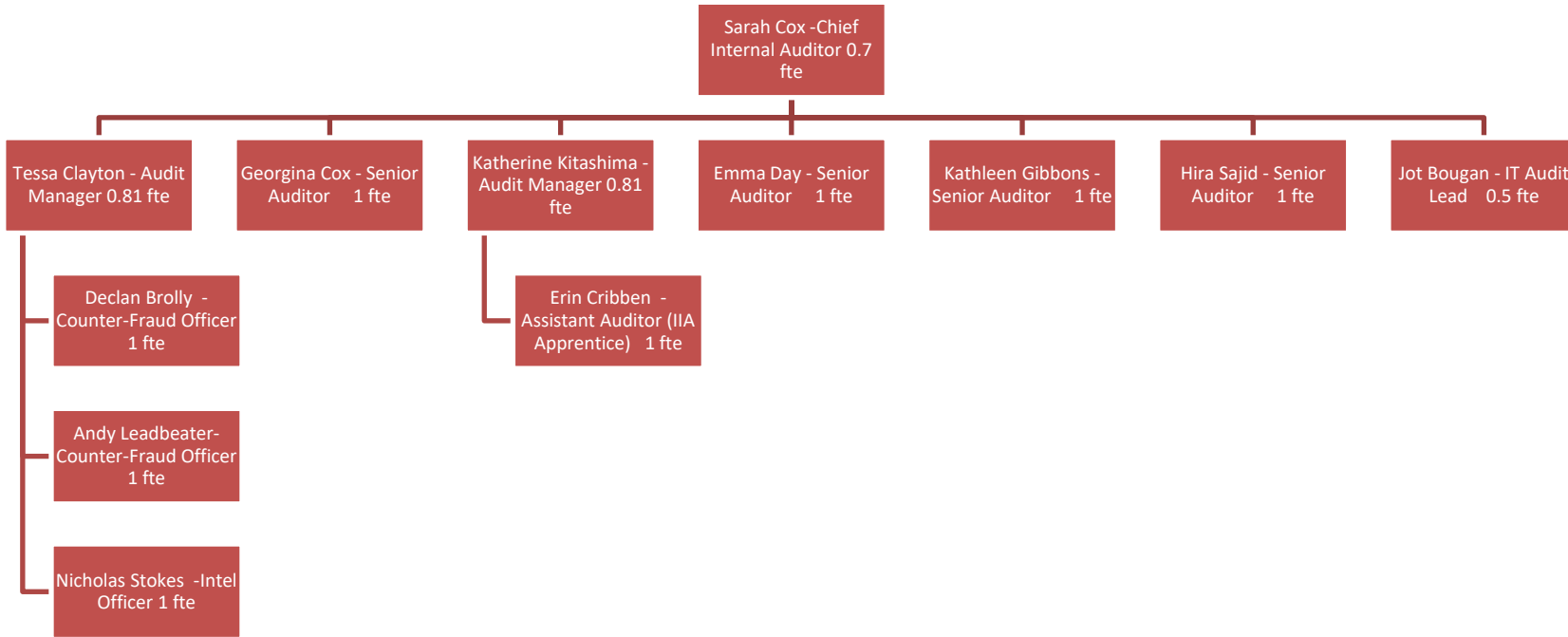
### **Background papers**

None

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

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

# APPENDIX 1: Internal Audit and Counter Fraud Team Structure 2021/22



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**APPENDIX 2: PERFORMANCE INDICATORS 2021/22**

	<b>Performance Measure</b>	<b>Target</b>	<b>Frequency of reporting</b>	<b>Method</b>
1	Elapsed time between start of the audit (opening meeting) and the Exit Meeting	Target date agreed for each assignment by the CIA, no more than three times the total audit assignment days	Quarterly report to AAR Committee.	Internal Audit Performance Monitoring System
2	Elapsed time for completion of the audit work (exit meeting) to issue of draft report	15 Days	Quarterly report to AAR Committee.	Internal Audit Performance Monitoring System
3	Elapsed time between issue of draft report and the issue of the final report	15 Days	Quarterly report to AAR Committee.	Internal Audit Performance Monitoring System
4	% of Internal Audit planned activity delivered	100% of the audit plan by end of April 2022.	Annual Report to AAR Committee.	Internal Audit Performance Monitoring System
5	% of agreed management actions implemented within the agreed timescales	90% of agreed management actions implemented	Quarterly Report to AAR Committee.	Action Management Tracking System
6	Customer satisfaction questionnaire (Audit Assignments)	Average score < 2 (1= Good, 2 = Satisfactory, 3 = Unsatisfactory, 4 = Poor)	Annual Report to AAR Committee	Questionnaire
7	Directors satisfaction with internal audit work	Satisfactory or above	Every two years - review of the effectiveness of IA - report to AAR Committee	Questionnaire, last completed in 2018/19, next due 2021.

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## APPENDIX 3: CDC Internal Audit Plan 2021/22

Summary level plan:

### CDC

Customers, OD & Resources – HR	Well-being / Sickness Management
Customers, OD & Resources – HR / Finance	Payroll
Customers, OD & Resources – Finance	Key Financial Systems
Customers, OD & Resources – Finance	Treasury Management
Customers, OD & Resources – Finance / IT & CDAI - Information Governance	Payment Card Industry Data Security Standard (PCI-DSS)
Customers, OD & Resources – IT	Cyber Security – Follow up
Customers, OD & Resources – IT	IT Remote Working
Customers, OD & Resources – IT	IT Infrastructure Management
Customers, OD & Resources	Revenues & Benefits
CDAI – Information Governance	GDPR
Environment & Place	Waste Collection
Corporate / Cross Cutting	Combined Audit & Counter Fraud Reviews
Corporate / Cross Cutting	Covid Funding / Payments
Various	Grants

Narrative Plan:

Directorate / Service Area	Audit	Scope	Audit Needs Assessment	Link to Corporate Plan / Leadership Risk Register
Customers, OD & Resources – HR	Well-being / Sickness Management	The audit will provide assurance over the effectiveness and compliance with well-being and sickness management policy/procedures. Employers are under obligation to protect employees and take reasonable steps to promote well-being and prevent work related stress etc. An effectively implemented wellbeing strategy can improve employee	H	<i>Corporate Plan: Continuous Improvement – Making the best of our resources and focusing on improvement, innovation and staff development to maintain and enhance services. Leadership Risk Register: L18 Workforce Strategy</i>

		attendance, retention and productivity.		
Customers, OD & Resources – HR / Finance	Payroll	To provide assurance over the key control processes to ensure that payments are accurate, timely and paid to legitimate employees only.	M	<i>Corporate Plan: Continuous Improvement – Making the best of our resources and focusing on improvement, innovation and staff development to maintain and enhance services.</i>
Customers, OD & Resources – Finance	Key Financial Systems / processes	The audit will provide assurance upon implementation of the new finance system on effectiveness of the operation of the key financial systems/processes.	M	<i>Corporate Plan: Continuous Improvement – Making the best of our resources and focusing on improvement, innovation and staff development to maintain and enhance services.</i>
Customers, OD & Resources – Finance	Treasury Management	The audit will provide assurance over the key control processes to provide assurance that funds are being effectively managed to support the delivery of council operations and to maximise investment opportunities for cash surpluses.	H	<i>Corporate Plan: Continuous Improvement – Making the best of our resources and focusing on improvement, innovation and staff development to maintain and enhance services. Leadership Risk Register: L01 Financial Resilience</i>
Customers, OD & Resources – Finance / IT & CDAI - Information Governance	Payment Card Industry Data Security Standard (PCI-DSS)	Card payments are taken online, via telephone and in person. The audit will review how the processing of cardholder and sensitive authentication data is protected and complies with PCI-DSS requirements.	M	<i>Corporate Plan: Continuous Improvement – Making the best of our resources and focusing on improvement, innovation and staff development to maintain and enhance services.</i>
Customers, OD & Resources – IT	Cyber Security – Follow Up	A follow-up of the implementation of the agreed management actions from the Cyber Security Audit undertaken in 2020/21.	M	<i>Corporate Plan: Continuous Improvement – Making the best of our resources and focusing on improvement, innovation and staff development to maintain and enhance services. Leadership Risk Register: L09 Cyber Security</i>
Customers, OD & Resources – IT	IT Remote Working	The audit will review the controls over remote working, including the authentication of users to ICT systems and services.	M	<i>Corporate Plan: Continuous Improvement – Making the best of our resources and focusing on improvement, innovation and staff development to maintain and enhance services. Leadership Risk Register: L20 Covid 19</i>

				<i>Business Continuity</i>
Customers, OD & Resources – IT	Infrastructure Management	The infrastructure is being moved from the joint data centre with South Northants Council. The audit will review whether the network infrastructure is effectively managed and monitored, including the deployment and utilisation of the relevant tools.	M	<i>Corporate Plan: Continuous Improvement – Making the best of our resources and focusing on improvement, innovation and staff development to maintain and enhance services. Leadership Risk Register: L17 Separation from South Northamptonshire</i>
Customers, OD & Resources	Revenues and Benefits	Revenues and Benefits are responsible for the processing of housing benefit, NNDR, council tax and council tax benefit. The organisational arrangements for delivery of this service are subject to change during 2021/22. The detailed scope of the audit is to be confirmed.	M	<i>Corporate Plan: Continuous Improvement – Making the best of our resources and focusing on improvement, innovation and staff development to maintain and enhance services. Customers – To deliver high quality, accessible and convenient services that are right first time. Leadership Risk Register: L17 Separation from South Northamptonshire</i>
CDAI – Information Governance	GDPR	The audit will review compliance against the General Data Protection Regulation (GDPR) and Data Protection Act 2018.	M	<i>Corporate Plan: Continuous Improvement – Making the best of our resources and focusing on improvement, innovation and staff development to maintain and enhance services.</i>
Environment and Place	Waste Collection	This is a significant area of spend for the council. A service audit of Waste will be undertaken to provide assurance over operational processes, governance, financial management and HR processes.	H	<i>Corporate Plan: Leading on Environmental Sustainability. Customers – To deliver high quality, accessible and convenient services that are right first time.</i>
Corporate / Cross Cutting	Combined Audit & Counter Fraud Reviews	Combined audit & counter fraud proactive reviews of financial systems / processes (e.g. procurement cards).	M	<i>Corporate Plan: Continuous Improvement – Making the best of our resources and focusing on</i>

	(also see Counter Fraud Plans)	The areas will be based upon risk. These will be included within the Counter Fraud Plan on completion of a risk assessment.		<i>improvement, innovation and staff development to maintain and enhance services.</i>
Corporate / Cross Cutting	Covid Funding / Payments	There will be flexibility within the plan for Internal Audit / Counter Fraud to provide assurance over the accuracy and integrity of a sample of Covid-19 grants / payments, as required / requested. This will follow on from the work already completed during 2020/21. It will include grants which require Chief Internal Auditor certification.	M	<i>Corporate Plan: Continuous Improvement – Making the best of our resources and focusing on improvement, innovation and staff development to maintain and enhance services. Leadership Risk Register: L19 Covid-19 Community and Customers</i>
Various	Grant Certification	There are several requests made throughout the year for Chief Internal Auditor sign off, of grant certifications. For 21/22 these include: <ul style="list-style-type: none"> <li>• Disabled Facilities Grant</li> </ul>	Mandatory	<i>Chief Internal Auditor sign off – requirement of grant claim conditions.</i>

<p>Other (Chargeable days – non audit assignment) There are days which are not attributed to specific planned audit activity and include:</p>	<ul style="list-style-type: none"><li>• Chief Internal Auditor's management days</li><li>• Preparation of the audit plan and operational planning</li><li>• Reports for the Accounts, Audit &amp; Risk Committee</li><li>• Attendance at Leadership Team meetings and regular meetings with Senior Management</li><li>• Attendance at the Corporate Governance Assurance group including contribution to and overview of the Annual Governance Statement</li><li>• External Audit liaison</li><li>• Follow up on implementation of agreed management actions.</li><li>• Annual self-assessment against internal audit standards – In accordance with the requirements of the Public Sector Internal Audit Standards</li><li>• Advice and Liaison</li><li>• Production of the Chief Internal Auditors' Annual Report</li><li>• Development of data matching / analytics</li><li>• Contribution to change management programmes</li><li>• Admin support for actual audit work</li></ul>
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## **Cherwell District Council**

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

**21 June 2021**

### **Treasury Management Outturn Report – 2020-21**

#### **Report of the Director of Finance**

This report is public

#### **Purpose of report**

To receive information on treasury management performance and compliance with treasury management policy and Prudential Indicators for 2020-21 as required by the Treasury Management Code of Practice.

#### **1.0 Recommendations**

The meeting is recommended:

- 1.1 To note the contents of the 2020-21 Treasury Management Outturn Report.
- 1.2 To recommend Council to note the Council's Treasury Management Activity in 2020-21.

#### **2.0 Introduction**

- 2.1 In 2012 the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve treasury management semi-annual and annual reports.
- 2.2 The Council's Treasury Management strategy for 2020-21 was approved by Council on 24 February 2020. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the Council's treasury management strategy.
- 2.3 The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by Council covering capital expenditure and financing, treasury management and non-treasury investments. The Capital Strategy, complying with CIPFA's requirement, was approved by Council on 24 February 2020.

## **3.0 Report Details**

### **External Context**

- 3.1 An economic and credit report provided by our treasury advisers, Arlingclose, can be found at Appendix 1.

### **Summary Position & Strategy**

- 3.2 At 31 March 2021 the Council had borrowing of £184m and investments of £38.6m - a net borrowing position of £145.4m (£133.4m at 31/12/20).
- 3.3 Lower interest rates have lowered the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The Council pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk
- 3.4 All treasury management activities undertaken during 2020-21 complied with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy, and all Prudential Indicators were met during, and at the end of, the reporting period.

### **Borrowing Update**

- 3.5 In November 2020 the PWLB published its response to the consultation on 'Future Lending Terms'. From 26 November 2020, the margin on Public Works Loan Board (PWLB) loans above gilt yields was reduced from 1.8% to 0.8% providing that the borrowing authority can confirm that it is not planning to purchase 'investment assets primarily for yield' in the current or next two financial years. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB. As part of the borrowing process authorities will now be required to submit more detailed capital expenditure plans with confirmation of the purpose of capital expenditure from the Section 151 Officer. The PWLB can now also restrict local authorities from borrowing in unusual or large amounts.
- 3.6 Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management. Misuse of PWLB borrowing could result in the PWLB requesting that the authority unwinds problematic transactions, suspending access to the PWLB and repayment of loans with penalties.
- 3.7 Competitive market alternatives may be available for authorities with or without access to the PWLB. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders.
- 3.8 The Council is not planning to purchase any investment assets primarily for yield within the next three years and so is able to take advantage of the reduction in the PWLB borrowing rate.

### **Borrowing performance for year ended 31 March 2021**

- 3.9 The Council requires external borrowing to fund its capital programme and had total debt of £184m at 31 March 2021. £75m (41%) of the current debt is at fixed rate for the medium-long term from the PWLB, with the remainder borrowed short term from

other local authorities (at fixed rates, but on a rolling basis with various durations, therefore effectively variable rate over the long term).

3.10 The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. Borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short and long term borrowing was maintained.

3.11 The table below shows the borrowing position during and at the end of the reporting period:

	<b>Borrowing Amount £</b>	<b>Interest Rate</b>	<b>Interest Budget* £</b>	<b>Interest Actual* £</b>	<b>Variance £</b>
2020-21	£154.5m (average)	1.45% (annualised)	£2.205m	£2.237m	£0.032m
As at 31/3/21	£184m	1.32%	-	-	-

\* Interest payable relates to external loans only, excluding finance lease interest of £185k

3.12 The table below shows average borrowing rates for the reporting period:

<b>Borrowing Benchmarking</b>	<b>3-year</b>	<b>5-year</b>	<b>10-year</b>	<b>20-year</b>
PWLB Maturity rate	1.64%	1.70%	2.01%	2.48%

3.13 A full list of current borrowing is shown below:

<b>Lender</b>	<b>Principal Borrowed £</b>	<b>Maturity Date</b>
Elmbridge Borough Council	5,000,000	04/01/2021
Bromley Borough Council	5,000,000	21/01/2021
London Borough of Newham	10,000,000	15/02/2021
Greater London Authority	5,000,000	19/02/2021
Vale of Glamorgan Council	2,000,000	19/03/2021
Derbyshire Pension Fund	10,000,000	01/04/2021
Islington Borough Council	5,000,000	19/04/2021
Derbyshire County Council	5,000,000	20/04/2021
St Helens Council	10,000,000	14/05/2021
Rugby Borough Council	5,000,000	08/07/2021
North of Tyne Combined Authority	10,000,000	29/09/2021
West Yorkshire Fire & Rescue	5,000,000	12/10/2021
Lincolnshire County Council	5,000,000	15/10/2021
Oxfordshire County Council	5,000,000	15/07/2022
PWLB - ref 506477	21,000,000	19/10/2024
PWLB - ref 116158	6,000,000	25/09/2025
PWLB - ref 114322	6,000,000	19/09/2026
PWLB - ref 507455	10,000,000	31/05/2028
PWLB - ref 116160	5,000,000	25/09/2029

PWLB - ref 114324	6,000,000	19/09/2030
PWLB - ref 507456	5,000,000	31/05/2033
PWLB - ref 116162	5,000,000	25/09/2034
PWLB - ref 114326	5,000,000	19/09/2035
PWLB - ref 507457	5,000,000	31/05/2048
<b>TOTAL</b>	<b>184,000,000</b>	

### Prudential Indicators – Borrowing:

#### 3.14 Authorised Limit and Operational Boundary for external debt

	<b>2020-21 Maximum</b>	<b>31/3/21 Actual</b>	<b>2020-21 Operational Boundary</b>	<b>2020-21 Authorised Limit</b>	<b>Complied?</b>
Borrowing / Total debt	£186m	£184m	£215	£240m	Yes

Since the operational boundary is a management tool for in-year monitoring, it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. Total debt did not exceed the operational boundary during 2020-21.

#### 3.15 **Maturity Structure of Borrowing.** This indicator is set to control the Council's exposure to refinancing risk. The lower and upper limits on the maturity structure of fixed rate borrowing were:

	<b>Lower Limit</b>	<b>Upper Limit</b>	<b>31.3.21 Actual</b>	<b>Complied ?</b>
Under 12 months	10%	80%	45%	Yes
12 months and within 24 months	0%	80%	15%	Yes
24 months and within 5 years	0%	80%	15%	Yes
5 years and within 10 years	0%	80%	15%	Yes
10 years and above	0%	80%	10%	Yes

### Treasury Investment performance for year ended 31 March 2021:

3.16 Funds available for investment are on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and funding of the capital programme.

3.17 During 2020-21 the Council received £48m central government funding to support small and medium businesses during the coronavirus pandemic through grant schemes. These funds are disbursed as early as possible, dependant on applications and subject to eligibility criteria and verification procedures. Funding held on account was temporarily invested in short-dated, liquid instruments.

3.18 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk

and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

3.19 Following the cut in Bank rate from 0.75% to 0.10% in March 2020, the Council had expected to receive significantly lower income from its cash and short-dated money market investments, including money market funds in 2020/21, as rates on cash investments are close to zero percent. Whilst the arrival and approval of vaccines against COVID-19 and the removal of Brexit uncertainty that had weighed on UK equities were encouraging developments, dividend and income distribution was dependent on company earnings in a very challenging and uncertain trading environment as well as enforced cuts or deferral required by regulatory authorities.

3.20 The table below shows the investment position during and at the end of the reporting period:

	<b>Investment Amount £</b>	<b>Interest Rate</b>	<b>Interest Budget £</b>	<b>Interest Actual £</b>	<b>Variance £</b>
2020-21	£32.4m (average)	0.27% (annualised)	£101k	£86k	£15k
As at 31/3/21	£38.6m	0.14%	-	-	-

3.21 The table below shows average money-market rates for the reporting period:

<b>Investment Benchmarking</b>	<b>Overnight</b>	<b>7-day</b>	<b>1-month</b>	<b>3-month</b>
LIBOR	0.05%	0.05%	0.07%	0.14%
SONIA (mid-rate)	0.09%	0.11%	0.11%	0.18%

3.22 The Council's cash investments are held primarily for liquidity purposes and therefore only available for relatively short term deposits in a restricted selection of high quality instruments.

3.23 A full list of current investments is shown below:

<b>Counterparty</b>	<b>Principal Deposited £</b>	<b>Maturity Date/ Notice period</b>
<u>Fixed Term Deposits</u>		
South Somerset DC	2,000,000	19/04/2021
Luton BC	2,000,000	20/04/2021
Merthyr Tydfil CBC	2,000,000	28/04/2021
Mid Suffolk DC	5,000,000	17/05/2021
Darlington BC	2,000,000	21/05/2021
Merseyside Police	2,000,000	01/07/2021
North Lanarkshire Council	4,000,000	15/07/2021
Aberdeen City Council	3,000,000	23/08/2021

Surrey Heath BC	1,000,000	23/08/2021
Thurrock BC	2,000,000	14/10/2021
Lancashire County Council	2,000,000	01/11/2021
Redcar & Cleveland BC	2,000,000	02/12/2021
South Cambridgeshire DC	2,000,000	16/12/2021
<u>Money Market Funds</u>		
Goldman Sachs Asset Management	4,061,000	Same day
Federated Investors UK	3,450,000	Same day
<u>Notice account</u>		
Handelsbanken	47,311	Same day
<b>TOTAL</b>	<b>38,558,311</b>	

### 3.24 Investment limits.

	<b>2020-21 Maximum</b>	<b>30/9/20 Actual</b>	<b>2020-21 Limit</b>	<b>Complied?</b>
Any single organisation, except the UK Government	£5.0m	£5.0m	£5m	Yes
UK Central Government	£35.5m	Nil	Unlimited	Yes
Any group of organisations under the same ownership	£5.0m	£5.0m	£5m per group	Yes
Any group of pooled funds under the same management	£5.0m	£5.0m	£5m per manager	Yes
Money Market Funds	£10.0m	£10.0m	£15m in total	Yes

3.25 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	<b>2020-21 £m</b>	<b>2021-22 £m</b>	<b>2022-23 £m</b>
Actual principal invested beyond year end	0	0	0
Limit on principal invested beyond year end	5	5	5
Complied	Yes	Yes	Yes

## Non-treasury investment activity

- 3.26 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.
- 3.27 As at 31 March 2021, the Council holds £94.3m of investments in the form of shares (£33.1m) and loans (£61.2m) to subsidiary companies and other organisations, primarily Graven Hill and Crown House.
- 3.28 The loan elements of these non-treasury investments generate a higher rate of return than earned on treasury investments, but this reflects the additional risks to the Council of holding such investments.
- 3.29 For the year ending 31 March 2021 these loans have earned interest of £4.281m, an adverse variance of £58k against budget income of £4.339m.

## Overall performance

- 3.30 The overall performance for the year to 31 March 2021 is as follows:

	Budget £	Actual £	Variance £m
Borrowing costs*	2.390m	2.422m	0.032
Treasury income	(0.101)	(0.086)	0.015
Non-treasury income	(4.339)	(4.281)	0.058
Total cost/(income)	(2.050)	(1.945)	0.105

\*Borrowing costs include finance lease interest of £185k

## Other Developments

- 3.31 CIPFA consultations: In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These follow the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. These are principles-based consultations and will be followed by more specific proposals later in the year.
- 3.32 In the Prudential Code the key area being addressed is the statement that "local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed". Other proposed changes include the sustainability of capital expenditure in accordance with an authority's corporate objectives, i.e. recognising climate, diversity and innovation, commercial investment being proportionate to budgets, expanding the capital strategy section on commercial activities, replacing the "gross debt and the CFR" with the liability benchmark as a graphical prudential indicator.
- 3.33 Proposed changes to the Treasury Management Code include requiring job specifications and "knowledge and skills" schedules for treasury management roles to be included in the Treasury Management Practices (TMP) document and formally reviewed, a specific treasury management committee for MiFID II professional

clients and a new TMP 13 on Environmental, Social and Governance Risk Management.

- 3.34 **IFRS 16:** The implementation of the new IFRS 16 Leases accounting standard has been delayed for a further year until 2022/23.

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

- 4.1 This report details the Treasury Performance and compliance with the Prudential Indicators for the Council for the year ending 31 March 2021.

## **5.0 Consultation**

None

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

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

Option 1: To request further information on the performance reported.

## **7.0 Implications**

### **Financial and Resource Implications**

- 7.1 The variances to budget as noted above are included in the Monthly Performance, Finance and Risk Monitoring Report to Executive.

Comments checked by:

Michael Furness, Assistant Director – Finance

[michael.furness@cherwell-dc.gov.uk](mailto:michael.furness@cherwell-dc.gov.uk) 01295 221845

### **Legal Implications**

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

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious Business

[richard.hawtin@cherwell-dc.gov.uk](mailto:richard.hawtin@cherwell-dc.gov.uk) 01295 221695

### **Risk Management Implications**

- 7.3 It is essential that this report is considered by the Audit Committee as it demonstrates that the risk of not complying with the Council's Treasury Management Policy has been avoided

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes



## 8.0 Decision Information

**Key Decision:** N/A

**Financial Threshold Met:** N/A

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

### Wards Affected

All.

### Links to Corporate Plan and Policy Framework

Links to all areas of Corporate Plan.

### Lead Councillor

None.

## Document Information

### Appendix number and title

1. Economic and credit report provided by Arlingclose.

### Background papers

None

### Report Author and contact details

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## Appendix 1 to Treasury Management 2020-21 Outturn report

### Economic and Credit report (provided by Arlingclose – April 2021)

- 1.1 **Economic background:** The coronavirus pandemic dominated 2020/21, leading to almost the entire planet being in some form of lockdown during the year. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt. The Bank of England cut Bank Rate to 0.1% and the UK government provided a range of fiscal stimulus measures, the size of which has not been seen in peacetime.
- 1.2 Some good news came in December 2020 as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The UK vaccine rollout started in earnest; over 31 million people had received their first dose by 31<sup>st</sup> March.
- 1.3 A Brexit trade deal was agreed with only days to spare before the 11pm 31<sup>st</sup> December 2020 deadline having been agreed with the European Union on Christmas Eve.
- 1.4 The Bank of England (BoE) held Bank Rate at 0.1% throughout the year but extended its Quantitative Easing programme by £150 billion to £895 billion at its November 2020 meeting. In its March 2021 interest rate announcement, the BoE noted that while GDP would remain low in the near-term due to COVID-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year. Inflation is forecast to increase in the near-term and while the economic outlook has improved there are downside risks to the forecast, including from unemployment which is still predicted to rise when the furlough scheme is eventually withdrawn.
- 1.5 Government initiatives supported the economy and the Chancellor announced in the 2021 Budget a further extension to the furlough (Coronavirus Job Retention) scheme until September 2021. Access to support grants was also widened, enabling more self-employed people to be eligible for government help. Since March 2020, the government schemes have help protect more than 11 million jobs.
- 1.6 Despite the furlough scheme, unemployment still rose. Labour market data showed that in the three months to January 2021 the unemployment rate was 5.0%, in contrast to 3.9% recorded for the same period 12 months ago. Wages rose 4.8% for total pay in nominal terms (4.2% for regular pay) and was up 3.9% in real terms (3.4% for regular pay). Unemployment is still expected to increase once the various government job support schemes come to an end.
- 1.7 Inflation has remained low over the 12 month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year/year in February, below expectations (0.8%) and still well below the Bank of England's 2% target. The ONS' preferred measure of CPIH which includes owner-occupied housing was 0.7% year/year (1.0% expected).

- 1.8 After contracting sharply in Q2 (Apr-Jun) 2020 by 19.8% q/q, growth in Q3 and Q4 bounced back by 15.5% and 1.3% respectively. The easing of some lockdown measures in the last quarter of the calendar year enabled construction output to continue, albeit at a much slower pace than the 41.7% rise in the prior quarter. When released, figures for Q1 (Jan-Mar) 2021 are expected to show a decline given the national lockdown.
- 1.9 After collapsing at an annualised rate of 31.4% in Q2, the US economy rebounded by 33.4% in Q3 and then a further 4.1% in Q4. The US recovery has been fuelled by three major pandemic relief stimulus packages totalling over \$5 trillion. The Federal Reserve cut its main interest rate to between 0% and 0.25% in March 2020 in response to the pandemic and it has remained at the same level since. Joe Biden became the 46<sup>th</sup> US president after defeating Donald Trump.
- 1.10 The European Central Bank maintained its base rate at 0% and deposit rate at -0.5% but in December 2020 increased the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.
- 1.11 **Financial markets:** Monetary and fiscal stimulus helped provide support for equity markets which rose over the period, with the Dow Jones beating its pre-crisis peak on the back of outperformance by a small number of technology stocks. The FTSE indices performed reasonably well during the period April to November, before being buoyed in December by both the vaccine approval and Brexit deal, which helped give a boost to both the more internationally focused FTSE 100 and the more UK-focused FTSE 250, however they remain lower than their pre-pandemic levels.
- 1.12 Ultra-low interest rates prevailed throughout most of the period, with yields generally falling between April and December 2020. From early in 2021 the improved economic outlook due to the new various stimulus packages (particularly in the US), together with the approval and successful rollout of vaccines, caused government bonds to sell off sharply on the back of expected higher inflation and increased uncertainty, pushing yields higher more quickly than had been anticipated.
- 1.13 The 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84%. The 20-year declined slightly from 0.70% to 0.68% before increasing to 1.36%.
- 1.14 1-month, 3-month and 12-month SONIA bid rates averaged 0.01%, 0.10% and 0.23% respectively over the financial year.
- 1.15 The yield on 2-year US treasuries was 0.16% at the end of the period, up from 0.12% at the beginning of January but down from 0.21% at the start of the financial year. For 10-year treasuries the end of period yield was 1.75%, up

from both the beginning of 2021 (0.91%) and the start of the financial year (0.58%).

- 1.16 German bund yields continue to remain negative across most maturities.
- 1.17 **Credit review:** After spiking in March 2020, credit default swap spreads declined over the remaining period of the year to broadly pre-pandemic levels. The gap in spreads between UK ringfenced and non-ringfenced entities remained, albeit Santander UK is still an outlier compared to the other ringfenced/retail banks. At the end of the period Santander UK was trading the highest at 57bps and Standard Chartered the lowest at 32bps. The other ringfenced banks were trading around 33 and 34bps while Nationwide Building Society was 43bps.
- 1.18 Credit rating actions to the period ending September 2020 have been covered in previous outturn reports. Subsequent credit developments include Moody's downgrading the UK sovereign rating to Aa3 with a stable outlook which then impacted a number of other UK institutions, banks and local government. In the last quarter of the financial year S&P upgraded Clydesdale Bank to A- and revised Barclay's outlook to stable (from negative) while Moody's downgraded HSBC's Baseline Credit Assessment to baa3 whilst affirming the long-term rating at A1.
- 1.19 The vaccine approval and subsequent rollout programme are both credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted due to pandemic-related lockdowns and restrictions. The institutions and durations on the Council's counterparty list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

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# Agenda Item 14

## Account Audit & Risk Committee Work Programme 2021 -2022

28 July 2021	Internal Audit Charter Performance, Finance and Risk Monitoring Report - Q1 - May 2021 Counter Fraud Strategy and Plan 2021/22 Work Programme Update
22 September 2021	Chief Internal Auditor - Private Session External Auditor - Private Session Report of Those Charged with Governance 2020/21 External Audit - Annual Audit Opinion 2020/21 Final Statement of Accounts and Letter of Representation 2020/21 Treasury Management Q1 Update 2021/22 Internal Audit Progress Update 2021/22
17 November 2021	Treasury Management Q2 2021/22 Performance, Finance and Risk Monitoring Report - Q2 - September 2021 Counter Fraud Update 2021/22
19 January 2022	Internal Audit Progress Update 2021/22 Draft Capital and Investment Strategy and Treasury Management Strategy 2022/23
16 March 2022	Counter Fraud Update 2021/22 Annual Report of AARC Performance, Finance and Risk Monitoring Report - Q3 - December 2021 Treasury Management Q2 2021/22 Housing Benefit Subsidy Audit Housing Benefit Risk Based Verification Policy External Audit Update

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