

Public Document Pack



Cherwell

DISTRICT COUNCIL
NORTH OXFORDSHIRE

Committee: Accounts, Audit and Risk Committee

Date: Wednesday 15 November 2023

Time: 6.30 pm

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

Membership

**Councillor Lynn Pratt
(Chairman)**

Councillor Besmira Brasha
Councillor Donna Ford
Councillor Simon Lytton

Councillor Simon Holland (Vice-Chairman)

Councillor Andrew Crichton
Councillor Harry Knight
Councillor Ian Middleton

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 5 - 8)

To confirm as a correct record the Minutes of the meeting of the Committee held on 27 September 2023.

5. Chairman's Announcements

To receive communications from the Chairman.

6. Performance, Finance and Risk Monitoring Report (Pages 9 - 30)

Report of Assistant Director – Customer Focus

Purpose of report

To update the committee on how well the council is managing its Strategic Risks.

Recommendations

The meeting is recommended:

- 1.1 To note the Risk Monitoring Report for September 2023.
- 1.2 To note the Risk Management Strategy 2023 – 24 (appendix 2)

7. Update on Counter Fraud Annual Plan 2023/24 (Pages 31 - 40)

Report of the Assistant Director of Finance and S151 Officer

Purpose of report

This report presents a summary of activity against the Annual Plan for the Counter-Fraud service at CDC for 2023/24, which was previously presented to the Accounts, Audit & Risk July 2023 committee. The Plan supports the Council's Anti-Fraud and Corruption Strategy by ensuring that the Council has in place proportionate and effective resources and controls to prevent and detect fraud as well as investigate those matters that do arise.

Recommendations

The meeting is recommended to:

- 1.1 Comment and note the summary of activity against the Annual Counter Fraud Plan for 2023/24.

8. External Audit Progress 2021/22

Verbal update by Ernst & Young.

9. Treasury Management Mid Year Review (Pages 41 - 56)

Report of the Assistant Director of Finance.

Purpose of report

To receive information on treasury management performance and compliance with treasury management policy for 2023-24 as required by the Treasury Management Code of Practice.

All treasury management activities undertaken to date during the financial year 2023-24 complied with the CIPFA Code of Practice and the Council's approved

Treasury Management Strategy, and all Prudential Indicators were met during the reporting period.

Over the course of the year, there is an overall Treasury Management forecast underspend of £1.214m compared to the approved budget.

Recommendations

The meeting is recommended:

- 1.1 To note the contents of this Treasury Management Mid-Year Review Report.

10. Local Code of Corporate Governance (Pages 57 - 72)

Report of the Assistant Director of Law and Governance

Purpose of report

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

Recommendations

The meeting is recommended:

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

11. Financial Management Code - Forecast Self-Assessment Update (Pages 73 - 80)

Report of the Assistant Director of Finance S151

Purpose of report

To update the Committee that the results of the Council's forecast self-assessment position at February 2024 against the requirements of CIPFA's Financial Management Code is continued strong compliance, demonstrating a resilient and sustainable approach to managing the Council's funds.

Recommendations

The meeting is recommended to:

- 1.1 Note the Council's forecast self-assessment position at February 2024 against the requirements of CIPFA's Financial Management Code

12. Work Programme (Pages 81 - 82)

To consider and review the Work Programme.

13. Urgent Business

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

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 or 01295 221534 prior to the start of the meeting.

Declarations of Interest

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

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

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

Evacuation Procedure

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

Access to Meetings

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

Mobile Phones

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

Queries Regarding this Agenda

Please contact Natasha Clark or David Rogers, Democratic and Elections democracy@cherwell-dc.gov.uk, 01295 221534

Yvonne Rees

Chief Executive

Published on Tuesday 7 November 2023

Cherwell District Council

Accounts, Audit and Risk Committee

Minutes of a meeting of the Accounts, Audit and Risk Committee held at Bodicote House, Bodicote, Banbury, OX15 4AA, on 27 September 2023 at 6.30 pm

Present:

Councillor Lynn Pratt (Chairman)
Councillor Besmira Brasha
Councillor Donna Ford
Councillor Harry Knight
Councillor Simon Lytton
Councillor Ian Middleton
Harry Lawson (Independent Person – no voting rights)
Sarah Thompson (Independent Person – no voting rights)

Substitute Members:

Councillor Mark Cherry (In place of Councillor Andrew Crichton)
Councillor Adam Nell (In place of Councillor Simon Holland)

Apologies for absence:

Councillor Simon Holland
Councillor Andrew Crichton

Also Present Virtually:

Councillor Barry Wood, Leader of the Council
Councillor Sandy Dallimore, Portfolio Holder for Corporate Services
Alison Kennett, Audit Manager UKI Assurance

Officers:

Joanne Kaye, Head of Finance and Deputy Section 151 Officer
Alex Rycroft, Strategic Finance Business Partner
Natasha Clark, Governance and Elections Manager
David Rogers, Democratic and Elections Officer

Officers Attending Virtually:

Michael Furness, Assistant Director Finance & S151 Officer
Celia Prado-Teeling, Performance & Insight Team Leader
Sarah Cox, Chief Internal Auditor
Katherine Kitashima, Audit Manager (internal Audit)

There were no declarations of interest.

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

There were no petitions or requests to address the meeting.

25 **Minutes**

The Minutes of the meeting of the Committee held on 26 July 2023 were agreed as a correct record and signed by the Chairman.

26 **Chairman's Announcements**

The Chairman announced that a Treasury Management training session would be held after the Committee meeting.

27 **Statement of Accounts 2021/22**

The Assistant Director of Finance submitted a report that updated Members on the draft statement of accounts for 2021/22, the draft audit results report of the external auditors and a draft letter of representation.

In introducing the report, the Head of Finance explained that there were six technical changes to the statement of accounts between the draft published in July 2022 and the version presented to the Committee. The Head of Finance updated the Committee on figures in the consolidated income and expenditure statement and balance sheet.

The Committee was advised that the external audit was not yet complete, but no further material changes to the statement were anticipated and therefore delegation to sign off the Statement of Accounts 2021/22 at the appropriate time was sought.

In response to questions regarding Castle Quay, the Portfolio Holder for Finance, Councillor Nell, clarified the accounting position highlighting that the Committee was considering the draft accounts for 2021/22 and it was appropriate to focus on the values for that year rather than previous years. The accounts had been produced in accordance with the Local Authority Code of Practice. The Portfolio Holder for Finance added that this committee received quarterly reports on levels of debt. Budget Planning Committee and Executive received regular reports on the in-year budget position.

The Committee thanked and commended Finance Officers for their hard work producing the Statement of Accounts 2021/22.

Resolved

- (1) That the revised Comprehensive Income and Expenditure Statement (CIES) (annex to the minutes as set out in the minute book) and Balance Sheet (annex to the minutes as set out in the minute book) in comparison to the published Draft Statement of Accounts 2021/22 (annex to the minutes as set out in the minute book) be noted and the documents be endorsed along with necessary changes to supporting statements and notes.
- (2) That it be agreed that, once the final audit opinion is received, the Assistant 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 make any further material changes to the accounts agreed with the auditors and sign the accounts.
- (3) That it be agreed that the Assistant Director of Finance, in consultation with the Chair of the Committee (or Deputy Chair in their absence), can make any further changes to the letters of representation agreed with the auditors that may arise during completion of the audit.

28 **External Audit update**

The External Auditor provided a verbal update. Fieldwork was ongoing and a formal consultation with Finance officers was needed for each adjustment. The significant risks identified in the planning report remained the same.

The External Auditor advised the Committee that it was anticipated that the audit would be completed in late October. In light of the delegation to sign off the Statement of Accounts 2021/22 agreed under the previous agenda item, the External Auditor explained that she would send the external audit results to Committee members and, subject to the majority of Committee members responding they were satisfied, the delegation to sign off could be fulfilled.

Resolved

- (1) That the verbal update be noted.

29 **Internal Audit Progress Report 2023/24**

The Assistant Director of Finance submitted a report that updated the committee on Internal Audit progress for 2023/24.

In introducing the report, the Chief Internal Auditor advised that two audits had now been completed: Community Development Projects and Climate, both with overall conclusions of Amber. There were three audits currently being undertaken and the remaining three were planned for later in the year.

Resolved

- (1) That the Internal Audit Progress Report 2023/24 be noted.

30 **Risk Monitoring Report July 2023**

The Assistant Director - Customer Focus submitted a report that updated the Committee on how well the Council was managing its Strategic Risks.

Resolved

- (1) That the Risk Monitoring Report for July 2023 be noted.

31 **Local Government and Social Care Ombudsman Annual Report 2022/23**

The Monitoring Officer submitted a report which provided Committee with the Local Government and Social Care Ombudsman Annual Report on Cherwell District Council for the financial year 2022/23.

Resolved

- (1) That the Local Government and Social Care Ombudsman Annual Report 2022/23 be noted.

32 **Urgent Business**

There were no items of urgent business.

33 **Work Programme**

The Head of Finance updated the Committee on the Work Programme.

Resolved

- (1) That the Work Programme be noted.

The meeting ended at 7.12 pm

Chairman:

Date:

Cherwell District Council

Audit, Accounts and Risk Committee

15 November 2023

Risk Monitoring Report September 2023

Report of Assistant Director – Customer Focus

This report is public.

Purpose of report

To update the committee on how well the council is managing its Strategic Risks.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the Risk Monitoring Report for September 2023.
- 1.2 To note the Risk Management Strategy 2023 – 24 (appendix 2).

2.0 Introduction

- 2.1 The Council carries out regular reviews to identify risks at the earliest opportunity so that it can assess and mitigate them as soon as possible.
- 2.2 Risks that may affect the Council's performance as a whole, and particularly, on its ability to deliver its corporate priorities are captured in its Leadership Risk Register.
- 2.3 The Leadership Risk Register is reviewed by the Corporate Leadership Team and Executive Committees every month; however, this is a live document and therefore updated as and when required, to manage risk effectively.
- 2.4 The Council's approach to risk management is set out in its Risk Management Strategy. The **Audit, Accounts and Risk Committee** is responsible for reviewing the leadership risk register and making recommendations to the Executive Committee for their consideration.

3.0 Risk Update – September 2023.

- 3.1 There were no changes to any of the risk scores in the Leadership Risk Register in September 2023. The scores for current risks remain as follows:

| | | Probability | | | | |
|--------|-------------------|-------------|--------------|------------------------|--------------|---------------------|
| | | 1 - Remote | 2 - Unlikely | 3 - Possible | 4 - Probable | 5 - Highly Probable |
| Impact | 5 - Catastrophic | | | L08 | | |
| | 4 - Major | | L09 | L03-L06-L07 L11-L14 | L01 | |
| | 3 - Moderate | | L04-L05-L10 | L02-L12 | L13 | |
| | 2 - Minor | | | | | |
| | 1 - Insignificant | | | | | |

Figure 1: Risk scorecard showing the risk scores in the Leadership Risk Register for September 2023.

3.2 There were however changes to the mitigating actions for the following risk:

| Risk | Score | Latest Update |
|--------------------------|--------------|---|
| L01 Financial resilience | 16 High Risk | <p>Mitigating action updated: - This continuous process will include reviewing budget monitoring, active budget management, and reflection of economic and Local Government sector trends in the MTFs. Wherever possible, policy decisions will be taken as soon as possible, rather than waiting until the February Council meeting which sets the annual budget. This will allow officers to be ready to implement, or have implemented, policy decisions which will maximise positive impacts on the budget.</p> |

4.0 Risk Management Strategy 2023 – 24

- 4.1 Cherwell’s risk management follows good practice, helping the Council to be an effective and efficient organisation.
- 4.2 The Risk Management Strategy is reviewed and updated annually, as per the guidance, feedback from the Accounts, Audit and Risk Committee, was requested on the meeting of 26 July 2023 and was approved by the Executive Committee on 2 October 2023.
- 4.3 The updated Risk Strategy for 2023- 24 (see appendix 2) keeps the 5 x 5 risk matrix, as previously used, and our risk management principles remain unchanged; however, we have simplified the language.

5.0 Conclusion

This report provides an update on how well the council is managing its Strategic Risks up to the end the sixth month of the financial year.

6.0 Consultation

N/A

7.0 Alternative Options and Reasons for Rejection

N/A

8.0 Implications

Financial and Resource Implications

8.1 There are no financial and resource implications arising directly from this report.

Comments checked by:
Michael Furness, Assistant Director of Finance/Section 151, Tel: 01295 221845
Michael.Furness@cherwell-dc.gov.uk

Legal Implications

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

Comments checked by:
Shiraz Sheik, Assistant Director for Law and Governance, Tel: 01295 221651
Shiraz.Sheik@cherwell-dc.gov.uk

Risk Implications

8.3 This report contains a full update with regards to the Council’s risk position at the end of September 2023. There are no risk implications arising directly from this report.

Comments checked by:
Celia Prado-Teeling, Performance & Insight Team Leader, Tel: 01295 221556
Celia.prado-teeling@cherwell-dc.gov.uk

Equalities and Inclusion Implications

8.4 There are no equalities nor inclusion implications arising directly from this report.

Comments checked by:
Celia Prado-Teeling, Performance & Insight Team Leader.
Tel: 01295 221556 Celia.prado-teeling@cherwell-dc.gov.uk

9.0 Decision Information

Key Decision

Financial Threshold Met: No

Community Impact Threshold Met: No

Wards Affected:

All

Links to Corporate Plan and Policy Framework

This report supports all Corporate Priorities

Lead Councillor

Councillor Sandy Dallimore – Lead member for Corporate Services

Document Information**Appendix number and title**

- Appendix 1 – Leadership Risk Register September 2023
- Appendix 2 – Risk Management Strategy 2023-24

Background papers

None

Report Author and contact details.

Celia Prado-Teeling, Performance & Insight Team Leader.

Tel: 01295 221556

Celia.prado-teeling@cherwell-dc.gov.uk

Appendix 1 – Leadership Risk Register as at 06/10/2023

| Level of risk | How the risk should be managed |
|--------------------------------|---|
| High Risk (16-25) | Requires active management to manage down and maintain the exposure at an acceptable level. Escalate upwards. |
| Medium Risk (10 -15) | Contingency Plans - a robust contingency plan may suffice together with early warning mechanisms to detect any deviation from the profile. |
| Low Risk (1 – 9) | Good Housekeeping - 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 |
| Page 1 of 3 | 5 - Catastrophic | | | L08 | | |
| | 4 - Major | | L09 | L03-L06-L07-L11-L14 | L01 | |
| | 3 - Moderate | | L04-L05-L10 | L02-L12 | L13 | |
| | 2 - Minor | | | | | |
| | 1 - Insignificant | | | | | |

| Risk Definition | |
|-----------------|--|
| Leadership | 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 |
| Operational | Risks to systems or processes that underpin the organisation’s governance, operation and ability to deliver services |

| Name and Description of risk | Potential impact | Inherent (gross) risk level (before Controls) | | Controls | Lead Member | Risk owner | Risk manager | Residual risk level (after existing controls) | | Mitigating actions (to address control issues) | Comments | Last updated |
|--|--|---|--------|----------|------------------------|-----------------|---------------|---|--------|--|----------|--|
| | | Probability | Impact | | | | | Probability | Impact | | | |
| 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 | Councillor A Nell | Michael Furness | Joanne Kaye | 4 | 4 | This continuous process will include reviewing budget monitoring, active budget management, and reflection of economic and Local Government sector trends in the MTFS. Wherever possible, policy decisions will be taken as soon as possible, rather than waiting until the February Council meeting which sets the annual budget. This will allow officers to be ready to implement, or have implemented, policy decisions which will maximise positive impacts on the budget. Financial forecasts of resources for 2024/25 and 2025/26 have assumed a reduction in resources compared to February 2023 assumptions. The budget for 2023/24 was agreed with savings proposals identified to contribute to addressing these reductions. Close monitoring of the delivery of the savings programme will take place throughout 2023/24 with mitigations required if slippage was identified. Integration and continued development of Performance, Finance and Risk reporting Internal Audits being undertaken for core financial activity and capital as well as service activity Introduction and implementation of an Asset Management Strategy Investment Strategy agreed annually Posts are filled by appropriately qualified individuals Regular involvement and engagement with colleagues across the county Regular member training and support Regular utilisation of advisors as appropriate Summarise and distribute announcements to CLT Timely and good quality budget monitoring reports, particularly property income and capital Work is underway to maximise the impact of the available space in Banbury town centre | | Risk reviewed on 02/10/23 - Mitigating actions updated |
| | Reduction in services to customers | Balanced medium term and dynamic ability to prioritise resources | | | | | | | | | | |
| | Increased volatility and inability to manage and respond to changes in funding levels | Highly professional, competent, qualified staff | | | | | | | | | | |
| | Reduced financial returns (or losses) on investments/assets such as in subsidiaries. | Good networks established locally, regionally and nationally. | | | | | | | | | | |
| | Inability to deliver financial efficiencies | Strong shareholder function and relationships with subsidiaries | | | | | | | | | | |
| | Exposure to commercial pressures in relation to regeneration projects. | Financial returns from the subsidiaries are not included in the MTFS until they are reasonably assured to materialise. | | | | | | | | | | |
| | Poor customer service and satisfaction | National guidance interpreting legislation available and used regularly. | | | | | | | | | | |
| | Increased complexity in governance arrangements | Progress regeneration plans in a coordinated manner. Participate in Oxfordshire Treasurers' Association's work streams. | | | | | | | | | | |
| | Lack of officer capacity to meet service demand | Review of best practice guidance from bodies such as CIPFA, LGA and NAO. | | | | | | | | | | |
| | Lack of financial awareness and understanding throughout the council | Treasury management and capital strategies in place Investment strategies in place Regular financial and performance monitoring in place. | | | | | | | | | | |
| | Increased inflation in the costs of capital schemes | Independent third party advisers in place Regular bulletins and advice received from advisers Property portfolio income monitored through financial management arrangements on a regular basis. | | | | | | | | | | |
| Increased inflation in revenue costs | Independent third party advisers in place Asset Management Strategy in place and embedded Transformation Programme in place to deliver efficiencies and increased income in the future | | | | | | | | | | | |
| L02 - Statutory functions – Failure to meet statutory obligations and policy and legislative changes are anticipated or planned for | Legal challenge | 3 | 4 | 12 | Councillor S Dallimore | Stephen Hinds | Shiraz Sheikh | 3 | 3 | Ensure Committee forward plans are reviewed regularly by senior officers. Ensure Internal Audit plan focusses on key leadership risks. Establish corporate repository and accountability for policy/legislative changes taking into consideration all of the Council's functions. External support secured for key corporate projects including Growth Deal and IT Transformation Programme. Learning and development opportunities identified and promoted by the Chief Executive and Directors. First tranche of Senior Leadership training/development begins in August, and is cascaded throughout 2022/23. Staff briefings on rules and procedures by MO Review Directorate/Service risk registers. Ensure Committee forward plans are reviewed regularly by senior officers. Ensure Internal Audit plan focusses on key leadership risks. Establish corporate repository and accountability for policy/legislative changes taking into consideration all of the Council's functions. External support secured for key corporate projects including Growth Deal and IT Transformation Programme. Learning and development opportunities identified and promoted by the Chief Executive and Directors. First tranche of Senior Leadership training/development begins in August, and is cascaded throughout 2022/23. Staff briefings on rules and procedures by MO Review Directorate/Service risk registers. | | Risk reviewed on 03/10/23 - No changes |
| | Loss of opportunity to influence national policy / legislation | Clear accountability for responding to consultations with defined process to ensure Member engagement | | | | | | | | | | |
| | Financial penalties | National guidance interpreting legislation available and used regularly | | | | | | | | | | |
| | Reduced service to customers | Risks and issues associated with Statutory functions incorporated into Directorate Risk Registers and regularly reviewed. | | | | | | | | | | |
| | Inability to deliver council's plans | Clear accountability for horizon scanning, risk identification / categorisation / escalation and policy interpretation in place | | | | | | | | | | |
| | Exposure to commercial pressures | Robust Committee forward plans to allow member oversight of policy issues and risk management, including Scrutiny and Audit | | | | | | | | | | |
| | Reduced resilience and business continuity | Internal Audit Plan risk based to provide necessary assurances | | | | | | | | | | |
| | Reduced staff morale, increased workload and uncertainty may lead to loss of good people | Strong networks established locally, regionally and nationally to ensure influence on policy issues. In addition two Directors hold leading national roles Senior Members aware and briefed regularly in 1:1s by Directors Arrangements in place to source appropriate interim resource if needed Ongoing programme of internal communication Programme Boards in place to oversee key corporate projects and ensure resources are allocated as required. Extended Leadership Team (ELT) Meetings established to oversee and provide assurance on key organisational matters including resourcing. | | | | | | | | | | |

| Name and Description of risk | Potential impact | Inherent (gross) risk level (before Controls) | | Controls | Lead Member | Risk owner | Risk manager | Residual risk level (after existing controls) | | Mitigating actions (to address control issues) | Comments | Last updated |
|--|--|---|--|--|----------------------|------------|----------------|---|---------------|--|---|--|
| | | Probability | Impact Rating | | | | | Probability | Impact Rating | | | |
| L03 - CDC Local Plan - 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 | Councillor D Sames | Ian Boll | David Peckford | 3 | 4 | 12 | Annual (Authority) Monitoring Reports presented to the Executive on plan making and policy effectiveness. A report will be prepared at the end of the calendar year. Consultation on a draft of the Cherwell Local Plan Review started on 22 September 2023. A new programme for the Local Plan was agreed when the Council's Executive approved an updated 'Local Development Scheme' on 5 September. | Risk reviewed on 03/10/2023 - Comments updated |
| | Negative (or failure to optimise) economic, social, community and environmental gain | 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 Team capacity and capability kept under continual review with gaps and pressures identified and managed at the earliest opportunity. | An updated LDS is scheduled to be presented to the Executive in September. | | | | | | | | | |
| | Negative impact on the council's ability to deliver its strategic objectives, including its commitments within the Oxfordshire Housing & Growth Deal | | | Programme built into Directorate level objectives (e.g. via Service Plans) and staff appraisals; on-going preparation of the Local Plan is a service priority. | | | | | | | | |
| | Increased costs in planning appeals | | | A draft Plan is being presented to the Executive in September. Project management of the Local Plan process continues. | | | | | | | | |
| Reputational damage with investor community of Cherwell as a good place to do business created by uncertainty/ lack of policy clarity | On-going review of planning appeal decisions to assess robustness and relevance of Local Plan policies | Regular Corporate Director, Lead Member and Members Advisory Group briefings | | | | | | | | | | |
| L04 - Business Continuity - Failure to ensure that critical services can be maintained in the event of a short or long term incident impacting on the delivery of the Council's operations | Inability to deliver critical services to customers/residents | 4 | 4 | 16 | Councillor P Chapman | Ian Boll | Tim Hughes | 2 | 3 | 6 | BC exercises to be arranged BC Impact assessments and BCPs being updated and reviewed by OCC's Emergency Planning team with supporting document management system being implemented. Business Continuity Statement of Intent and Framework due to be reviewed to align with new incident management framework Cross-council BC Steering Group meets regularly to identify BC improvements needed; BC Steering Group has been reconvened, need to ensure engagement across all service areas. | Risk reviewed on 02/10/2023 - No changes |
| | Financial loss/ increased costs | Business continuity strategy, statement of intent and framework in place and all arrangements overseen by a Business Continuity Steering Group. Services prioritised and ICT recovery plans reflect those priorities and the requirements of critical services | | | | | | | | | | |
| | Loss of important data | ICT disaster recovery arrangements in place with data centre and cloud services reducing 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 Framework | | | | | | | | | | |
| | Loss of reputation | All services undertake annual business impact assessments and updates of business continuity plans | | | | | | | | | | |
| | Reduced service delivery capacity in medium term due to recovery activity | Cross-council Business Continuity Steering Group meets regularly to identify Business Continuity improvements needed | | | | | | | | | | |
| L05 - Emergency Planning (EP) - Failure to ensure that the local authority has plans in place to respond appropriately to a civil emergency by fulfilling its duty as a category 1 responder | Inability of council to respond effectively to an emergency | 4 | 4 | 16 | Councillor P Chapman | Ian Boll | Tim Hughes | 2 | 3 | 6 | Emergency plan contacts list updated monthly and reissued to all duty managers periodically. Available on ELT Teams channel. Supporting officers for incident response reviewed and identified across some areas, to ensure they are reviewed and updated across all service areas. | Risk reviewed on 02/10/23 - No changes |
| | Unnecessary hardship to residents and/or communities | Incident Management Framework in place and key contact lists updated monthly. | | | | | | | | | | |
| | Risk to human welfare and the environment | Emergency Planning Lead Officer defined with responsibility to review, test and exercise plan and to establish, monitor and ensure all elements are covered | | | | | | | | | | |
| | Legal challenge | Expert advice and support provided by Oxfordshire County Council's Emergency Planning Team under partnership arrangements. | | | | | | | | | | |
| | Potential financial loss through compensation claims | Council Duty Directors attend training relating to role prior to joining duty director rota and have refresh training annually | | | | | | | | | | |
| | Ineffective Cat 1 partnership relationships | Multi agency emergency exercises conducted to ensure readiness | | | | | | | | | | |
| | Reputational damage | Active participation in Local Resilience Forum (LRF) activities On-call rota being maintained and updated to reflect recent staffing changes | | | | | | | | | | |

| Name and Description of risk | Potential impact | Inherent (gross) risk level (before Controls) | | Controls | Lead Member | Risk owner | Risk manager | Residual risk level (after existing controls) | | Mitigating actions (to address control issues) | Comments | Last updated |
|--|---|---|---------------|--|------------------------|------------|-----------------|---|---------------|--|----------|--|
| | | Probability | Impact Rating | | | | | Probability | Impact Rating | | | |
| L06 - Safeguarding the Vulnerable – Operational and partnership actions -Failure to work effectively with partners to identify and protect vulnerable people in the district and disrupt exploitation leaving vulnerable people at risk or subject to exploitation. | Increased harm and distress caused to vulnerable individuals and their families. | 4 | 4 | Engagement with the Oxfordshire partnerships protocol review to identify improvements to local arrangements in support of the strategic partnerships. Outcomes of review to be implemented. Child Exploitation prevalence report reviewed with LPA Commander following each CE sub-group meeting. Community based exploitation disruption coordinated through the Joint Agency Tasking and Coordination Process. | Councillor P Chapman | Ian Boli | Tim Hughes | 3 | 4 | Need to re-engage with Oxfordshire partnerships protocol review to ensure outcomes relevant to CDC to be implemented Exploitation concerns and actions discussed routinely at Joint Agency Tasking and Co-ordination meetings on a monthly basis | | Risk reviewed on 02/10/23 - No changes |
| | Council subject to external reviews | | | | | | | | | | | |
| | Criminal investigations potentially compromised | | | | | | | | | | | |
| | Potential financial liability if council deemed to be negligent. Reputational damage to the council. | | | | | | | | | | | |
| L07 - Health and safety Failure to ensure effective arrangements are in place for Health and Safety. | Unsafe services leading to fatality, serious injury & ill health to employees, service users or members of the public | 5 | 4 | Corporate H&S governance arrangements and policies are regularly reviewed and updated by the Corporate H&S Team and monitored by the H&S Assurance Board. Directors and service leads are responsible for ensuring H&S arrangements are in place within their areas or responsibility. Managers are responsible for ensuring operational health and safety risks are assessed and effective control measures implemented. Consultation with employee representatives via employer and union consultative committees (Unison) Corporate H&S Training provided via corporate learning and development programme. Training for operational risks may be organised by services. H&S performance monitored by accident and incident reports and corporate H&S auditing and inspection programme. H&S information is disseminated via internal communications and updates to ELT and other relevant meetings. | Councillor S Dallimore | Claire Cox | Ruth Wooldridge | 3 | 4 | Corporate H&S Auditing and Inspection programme on track. Reports issued to managers and actions tracked for completion. Work ongoing with 2 audits per calendar month. Work still in progress with service areas around the corporate H&S register, which will be managed and monitored with a focus on the depots as our highest risk areas. Post decoupling senior management will have monthly monitoring of H&S matters as a standing item at senior management meetings. Relevant and required policies and procedures are being reviewed. Working with service areas to ensure that suitable risk assessments are in place. | | Risk reviewed on 02/10/2023 - No changes |
| | Criminal prosecution for failings Breach of legislation and potential for enforcement action. | | | | | | | | | | | |
| | Financial impact (compensation or improvement actions) | | | | | | | | | | | |
| | Reputational Impact | | | | | | | | | | | |
| | | | | | | | | | | | | |

| Name and Description of risk | Potential impact | Inherent (gross) risk level (before Controls) | | Controls | Lead Member | Risk owner | Risk manager | Residual risk level (after existing controls) | | Mitigating actions (to address control issues) | Comments | Last updated |
|---|--|---|--|----------|------------------------|---------------|-----------------|---|--------|--|--|--------------|
| | | Probability | Impact | | | | | Probability | Impact | | | |
| L08 - 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, | Financial loss / fine | 4 | 5 | 20 | Councillor S Dallimore | Stephen Hinds | David Spitsbury | 3 | 5 | A series of all-Council staff awareness sessions and members given presentations with the Police Cyber Security Advisor. All staff reminded to be vigilant to unexpected emails due to the heightened risk of cyber-attack due to escalating tensions in Eastern Europe and at critical periods such as the run up to Elections Cyber Security advice and guidance regularly highlighted to all staff. Cyber Security is mandatory e-learning for all staff to be completed annually and is part of new starters induction training. Cyber Security Officer has reviewed advice and provided assurance on our compliance. External Health Check undertaken each year and Cabinet Office PSN compliance reviewed and certified each year to ensure the infrastructure is secure to connect to the PSN. Internal Audit completed cyber audits with no major issues or significant risks identified. IT implemented an intrusion prevention and detection system which is monitored, and regular actions are implemented from the resulting reports. IT Officer has specific responsibility for Cyber Security and we have engaged a specialist partner to advise on industry best practices and standards. Microsoft Multi-Factor Authentication is embedded to authenticate users providing an enhanced level of cyber security. | Risk reviewed on 03/10/2023 - No changes | |
| | Prosecution – penalties imposed | File and data encryption on computer devices | Managing access permissions and privileged users through AD and individual applications | | | | | | | | | |
| | Individuals could be placed at risk of harm | Schedule of regular security patching | Vulnerability scanning | | | | | | | | | |
| | Reduced capability to deliver customer facing services | Malware protection and detection | Effective information management and security training and awareness programme for staff | | | | | | | | | |
| | Unlawful disclosure of sensitive information | Password and Multi Factor Authentication security controls in place | Robust information and data related incident management procedures in place | | | | | | | | | |
| | Inability to share services or work with partners | 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 | | | | | | | | | |
| | Loss of reputation | Appropriate plans in place to ensure ongoing PSN compliance | Adequate preventative measures in place to mitigate insider threat, including physical and system security | | | | | | | | | |
| | Increased threat to security due to most staff working from home | Insider threat mitigated through recruitment and line management processes | A complete restructure and update of the technical approach for the infrastructure has resulted in a move to a zero trust model. | | | | | | | | | |
| | | Advice received from NCSC on specific activity alerts, the increased threat of globalised ransomware and malware attacks. | | | | | | | | | | |

| Name and Description of risk | Potential impact | Inherent (gross) risk level (before Controls) | | Controls | Lead Member | Risk owner | Risk manager | Residual risk level (after existing controls) | | Mitigating actions (to address control issues) | Comments | Last updated | | |
|---|--|---|--------|----------|----------------------|---------------|---------------|---|---|--|---|--|--|---|
| | | Probability | Impact | | | | | Probability | Impact | | | | | |
| L09 - Safeguarding the vulnerable - Internal procedures- Failure to follow our internal policies and procedures in relation to safeguarding vulnerable adults and children or raising concerns about their welfare. | Increased harm and distress caused to vulnerable individuals and their families | 4 | 4 | 16 | Councillor P Chapman | Yvonne Rees | Nicola Riley | 2 | 4 | Action plan acted upon and shared with Overview and scrutiny committee once a year | Leisure Centre Safeguarding Audits, CDC completes safeguarding audits with the Leisure Centres ensuring policies and training are in place and spot checks on DBS's/ Training platforms. Internal Safeguarding Audits completed in August for the Youth Activity Workers /Holiday Hubs. This identified the safeguarding training was relevant and staff knowledge and understanding improved, confident in recognising and reporting signs of concern appropriately. Reporting concerns is an embedded practice across the sites and the staff are confident in safeguarding. Monthly Safeguarding training/ briefings continue with good attendance, Safeguarding News Bulletin to all safeguarding champions keeping safeguarding at the forefront and identifies shared learning across the districts. Self-Assessment/ Section 11 on target for submission 08/12/23. Safeguarding Action plan in process of review as part of the section 11. | Risk reviewed on 25/09/2023 - Comments updated | | |
| | Council could face criminal prosecution | | | | | | | | | | | | | Annual refresher and new training programmes including training for new members |
| | Criminal investigations potentially compromised | | | | | | | | | | | | | Continue to attend safeguarding board sub groups as necessary to maintain high levels of awareness within the system and compliance with latest practice |
| | Potential financial liability if council deemed to be negligent | | | | | | | | | | | | | Corporate monitoring of all referrals |
| | Reputational damage to the council | | | | | | | | | | | | | Ensure web pages remain up to date |
| L10 - Sustainability of Council owned companies and delivery of planned financial and other objectives - 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 | 3 | 5 | 15 | Councillor B Wood | Stephen Hinds | Kerry Wincott | 2 | 3 | 6 | A Shareholder Representative was appointed and regular governance arrangements are in place. | Risk reviewed 04/10/2023 - No changes | | |
| | Failure of council owned companies to achieve their intended outcomes or fail to meet financial objectives | | | | | | | | | | | | | Resilience and support being developed across business to support and enhance knowledge around council companies. |
| | Lack of understanding at officer and member level about the different roles of responsibilities required when managing council owned 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. |
| | | | | | | | | | | | | | | Sound monitoring in place of both business and financial aspects of the companies and the impact on overall council performance through the Shareholder Representative meetings and through the reporting to the Corporate Leadership Team monthly. |
| | | | | | | | | | Training in place for those undertaking Director roles relating to the companies. | | | | | |

| Name and Description of risk | Potential impact | Inherent (gross) risk level (before Controls) | Controls | Lead Member | Risk owner | Risk manager | Residual risk level (after existing controls) | Mitigating actions (to address control issues) | Comments | Last updated |
|---|---|--|---|---------------------------|------------------|---------------------|---|--|--|---|
| | | Probability Impact Rating | | | | | Probability Impact Rating | | | |
| L11 - Financial sustainability of third-party suppliers and contractors | The financial failure of a third party supplier and contractors results in the inability or reduced ability to deliver a service to customers or provide goods needed. A reduced supply market could also result in increased costs due to the council's loss of competitive advantage. | 3 4 12 | Ensure contract management in place review and anticipate problems within key service suppliers and partners | Councillor A Nell | Shiraz Sheikh | Michael Sullivan | 3 4 12 | Creditsafe UK tool purchased to allow Procurement to carry out supplier credit checks when required. | Creditsafe UK tool now operational .Guidance is being developed for service areas to ensure that a contract management process is followed on a regular basis. This will include regular checks on Creditsafe UK to check on financial health; service areas will be advised to confirm that business continuity arrangements are in place and to seek evidence of regular reviews of this as part of the contract management process. Service areas to provide details of all current contracts to Procurement to enable analysis of third party spend to identify and risk assess key suppliers and contractors and to identify areas of duplication of costs. | Risk Reviewed 04/10/23 - Comments updated |
| | Reduced resilience and business continuity | Business continuity planning arrangements in place in regards to key suppliers | Services areas to ensure supplier suitability checks have been carried out prior to award of contract and 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 any issues arising. | | | | | | | |
| | Increased complaints and/or customer dissatisfaction | Intelligence unit set up procurement Hub to monitor supplier and contractor market | Services areas to keep the key suppliers under regular check including running financial checks. | | | | | | | |
| | Increased costs and/or financial exposure to the Council due to having to cover costs or provide service due to failure of third party supplier of contractor | Ensuring that proactive review and monitoring is in place for key suppliers to ensure we are able to anticipate any potential service failures | Analysis of third party spend undertaken to identify and risk assess key suppliers/contractors | | | | | | | |
| L12 - Corporate Governance - 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. | 4 4 16 | Clear and robust control framework including: constitution, scheme of delegation, ethical walls policy etc. | Councillor S Dallimore | Stephen Hinds | Shiraz Sheikh | 3 3 9 | The Annual Governance Statement was produced and has been published and approved by the Audit, Accounts and Risk Committee. The Corporate Governance Assurance Group continues to map governance processes to ensure visibility and to refresh them. | | Risk reviewed on 29/09/23 - No changes |
| | Risk of ultra vires activity or lack of legal compliance | Clear accountability and resource for corporate governance (including the shareholder role). | | | | | | | | |
| | Risk of fraud or corruption | Integrated budget, performance and risk reporting framework. | | | | | | | | |
| | Risk to financial sustainability if lack of governance results in poor investment decisions or budgetary control. | Corporate programme office and project management framework. Includes project and programme governance. | | | | | | | | |
| | Failure of corporate governance in terms of major projects, budgets or council owned companies impacts upon financial sustainability of the council. | Internal audit programme aligned to leadership risk register. | | | | | | | | |
| | Inability to support Council's democratic functions / obligations (e.g. return to physical public meetings and public access to meetings). | Training and development resource targeted to address priority issues; examples include GDPR, safeguarding etc. | | | | | | | | |
| | Elements of the COVID-19 response and recovery work may be compromised, delayed or not taken forwards. | HR policy framework. | | | | | | | | |
| | Annual governance statement process undertaken for 2021/22 connects more fully and earlier with ELT and CLT. | | | | | | | | | |
| | Annual Review of the Constitution by the MO with member involvement and approval by the Full Council | | | | | | | | | |

| Name and Description of risk | Potential impact | Inherent (gross) risk level (before Controls) | | Controls | Lead Member | Risk owner | Risk manager | Residual risk level (after existing controls) | | Mitigating actions (to address control issues) | Comments | Last updated |
|--|---|---|---------------|---|------------------------|-------------|---------------|---|---------------|--|----------|--|
| | | Probability | Impact Rating | | | | | Probability | Impact Rating | | | |
| L13 - Monitoring and management of Major Infrastructure Projects and Programmes - Failure to properly manage and monitor the various residual Oxfordshire Housing and Growth Deal infrastructure projects. | Failure to actively manage the various Infrastructure Projects and Programmes, particularly in relation to those being delivered by Oxfordshire County Council, could lead to delays or failure to deliver timely obligations, which could lead to HM Government holding back some or all of its funding, or requiring repayment. | 4 | 5 | Need to establish appropriate officer and stakeholder governance structures to support effective programme delivery. Need to institute regular and effective dialogue with developers. | Councillor D Ford | Ian Boli | Robert Jolley | 4 | 3 | Establishment of appropriate officer and stakeholder governance structures to support effective programme delivery Institute regular and effective dialogue with developers | | Risk reviewed on 03/10/23 - No changes |
| | Delivery of Infrastructure projects fail to accelerate housing delivery as commercial pressures impact house builders | | | | | | | | | | | |
| L14 - Workforce Strategy 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 | 3 | 4 | Analysis of workforce data and on-going monitoring of issues. | Councillor S Dallimore | Yvonne Rees | Claire Cox | 3 | 4 | There are indications that specific service areas are beginning to experience recruitment difficulties for professional roles. HR is working with the relevant directors to consider alternative resourcing methods. | | Risk reviewed on 29/09/2023 - No changes |
| | Impact on our ability to deliver high quality services | | | Key staff in post to address risks (e.g. strategic HR business partners) | | | | Development of new L&D strategy, including apprenticeships. | | | | |
| | Overreliance on temporary staff | | | Weekly Vacancy Management process in place | | | | Development of relevant workforce plans. | | | | |
| | Additional training and development costs | | | Ongoing service redesign will set out long term service requirements | | | | Development of specific recruitment and retention strategies. It is planned for CDC to develop a framework that suits the needs of all services ensuring that the Council has access to a much wider pool of staffing agencies at competitive rates. The new IT system has been implemented to improve our workforce data and continues to be develop to improve our ability to interrogate and access key data (ongoing) in order to inform workforce strategies. | | | | |

Appendix 2 - Risk Strategy 2023 - 2024

Cherwell District Council

Risk Strategy 2023 - 2024

Report of Assistant Director Customer Focus

This report is public.

1.0 Introduction

1.1 This strategy outlines Cherwell District council's overall approach to managing risk, its fundamental aim is to help the council identify and manage risk.

1.2 What is Risk Management and why do we have it?

Risk arises when there is uncertainty about the future, reflecting the possibility that an event or series of events may adversely affect the council's ability to deliver its strategic priorities.

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.

1.3 What is Cherwell District Council's 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.

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

Focus will be on the council's 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.

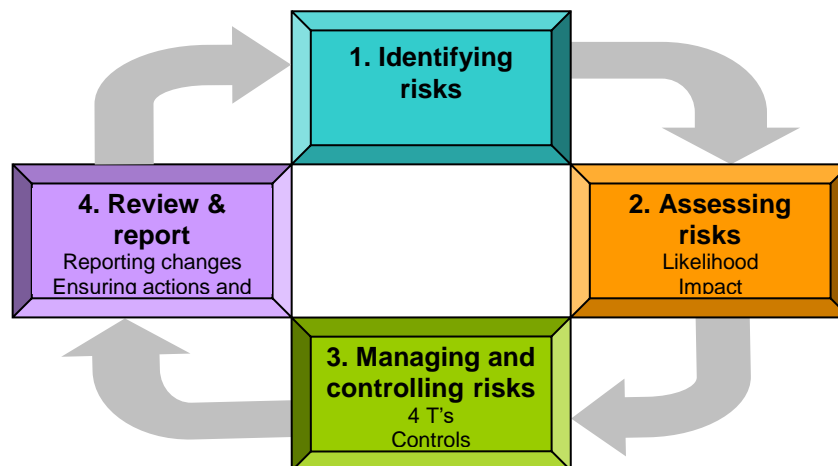
2.0 Risk Management Processes

2.1 How we manage risk

Understanding and managing threats or risks comes down to four very simple questions:

1. What's the worst that could happen to us?
2. What's the likelihood of it happening?
3. What would be the impact if it did?
4. What can we do about it? (how can we prevent it from happening, or what can we put in place to manage it if it should?)

The four steps of risk management



Our approach is to use a simple 4 stage process of identification, assessment, management, and review to ensure our risks are recorded and effectively managed. This approach is described in the four sections below.

2.2 Identifying Risks

To identify risks, think through the things that could prevent or hinder your team from achieving its business objectives. There are three parts to a risk – an **event** that has a **consequence** that leads to an **impact** on our objectives.

Typical risk phrasing could be.

loss of...
failure of...
failure to...
lack of...
partnership with...
development of... } leads to ... resulting in...

You will also need to identify whether the risk is:

- **Leadership:** risks that are significant in size and duration and will impact on the reputation and performance of the Council as a whole and on its ability to deliver its strategic priorities. Also, risks to corporate systems or processes that underpin the organisation's overall governance, operation, and ability to deliver services.
- **Partnership:** risks to a partnership meeting its objectives or delivering agreed services/ projects.
- **Operational:** risks specific to the delivery of individual services/service performance/project.

Each one should have its own risk register within Unity, aimed at the different teams/audience, i.e., Leadership Risk register is managed by the Performance & Insight Team, updated, reviewed, and signed off by Managers and DLTs/CLT, and its ultimate audience are Executive members, Overview & Scrutiny, and our residents. The Performance Team can provide guidance to build your own Operational risk register within Unity.

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 probability 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 council.

There are two forms of risk:

- **Inherent/Gross risk:** the level of risk existing before any controls and/or treatment measures have been applied.
- **Residual risk:** the level of risk remaining after managing it through treatment and/or control measures. Please note that only the residual risk score will be included in the monthly reports.

The council uses a risk scoring matrix to work out the inherent risk rating (probability times impact). The owner of the risk undertakes this assessment. For a Leadership risk this is checked by the Performance & Insight team, for programme/ project risks by the relevant board and for operational risks by the Assistant Director.

Assessing probability

| Scale / Level | Descriptor | Description |
|---------------|------------|---|
| 1 | Remote | May only occur in exceptional circumstances (P < 2%) |
| 2 | Unlikely | Is unlikely to occur, but could occur at some time (2% < P < 25%) |
| 3 | Possible | Fairly likely to occur at some time, or in some circumstances (25% < P < 50%) |
| 4 | Probable | Will probably occur at some time, or in most circumstances (50% < P < 75%) |

| | | |
|---|-----------------|--|
| 5 | Highly Probable | Is expected to occur in most circumstances (P > 75%) |
|---|-----------------|--|

Description and definition of the impact of the risk should it occur (these are a guide)

| Effect - Service Delivery | Effect – Financial | Effect -Health & Safety | Effect – Environment | Effect – Reputation |
|---|--|--|---|--|
| 5 – Catastrophic | | | | |
| Catastrophic disruption. Loss of service delivery for more than seven days | Huge financial loss >£1,000,000 | Loss of life. Intervention by HSE | Significant local, national and/or international environmental damage | Extensive coverage in the national press and broadsheet editorial, and/or a national TV item |
| 4 – Major | | | | |
| Major disruption. Serious damage to ability to provide service. Loss of service for more than 48 hours but less than 7 days | Major financial loss >£100,000 - <£1,000,000 | Extensive / multiple injuries. Intervention by HSE | Major damage to the local environment | Coverage in national broadsheets, the press, and/or low national TV reporting |
| 3 – Moderate | | | | |
| Noticeable disruption, some customers would be affected. Loss of service no more than 48 hours | High financial loss >£25,000 - <£100,000 | Violence, threat or major injury – medical treatment required. Intervention by HSE | Moderate damage to the local environment | Coverage in the national tabloid press and/or extensive front page coverage in local press/ TV |
| 2 – Minor | | | | |
| Some disruption to internal business only – no loss of customer service | Medium financial loss >£5,000 - <£25,000 | Minor injury – first aid treatment only required | Minor damage to the local environment | Minimal reputation damage. Minimal coverage in the local press |
| 1 – Insignificant | | | | |
| Insignificant disruption to internal business – no loss of customer service | Low financial loss <£5,000 | No injuries | No, or insignificant environmental damage | No reputational damage |

The inherent risk score is the 'likelihood' times the 'impact' calculated before controls have been put in place. The inherent risk score helps to make decisions about the significance of risks to the councils, and how they will be managed, the controls required and the treatment of the risk. A residual score is calculated in the same manner, but after controls have been implemented.

| | | 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 |

2.4 Managing and Controlling Risk

| Residual risk Score | How the risk should be managed? |
|------------------------------|--|
| High Risk (16 to 25) | Requires active management – Risk requires active management to manage score down and maintain at an acceptable level |
| Medium Risk (10 – 15) | Contingency plans – A robust contingency plan may suffice together with early warning mechanisms to detect any deviation from the profile |
| Low Risk (1 – 9) | Good housekeeping – May require some risk mitigation to reduce the probability if this can be done in a cost effective manner, good housekeeping is always needed to ensure that the impact remains low. Re-assessing frequently to ensure conditions remain the same and to revise the possibility of de-escalation to the service operational risk. |

The inherent risk rating will determine how the risk is controlled and managed with one of the Four Ts - treatment, toleration, transfer and terminate - as the main options (see below).

Once controls and actions to mitigate the risk have been identified a residual risk score should be assessed. The residual risk score, along with the controls and assurances then form the basis of monthly reviews; controls and residual score will be reported monthly to Executive and quarterly to Audit.

The Four Ts

The level of the inherent risk will help determine the best treatment for a risk, whether strategic or operational.

| | |
|---------------------|---|
| Tolerating | <p>The councils may tolerate a risk where:</p> <ul style="list-style-type: none"> • The risk is effectively mitigated by internal controls, even if it is a high risk • The risk cannot be mitigated cost effectively • The risk opens up greater benefits <p>These risks must be monitored, and contingency plans should be put in place in case the risks occur.</p> |
| Treating | <p>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 stablishing controls to either contain a risk to an acceptable level (the impact), or to reduce the likelihood; and additional assurances to ensure delivery of controls.</p> |
| Terminating | <p>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 strategic risks of an organisation.</p> |
| Transferring | <p>Transferring some aspects of the risk to a third party, e.g., via insurance, or by paying a third party to take the risk in another way. This option is particularly</p> |

| | |
|--|--|
| | good for mitigating financial risks, or risks to assets. However, it is a limited option – very few strategic risks are insurable and only around 15 -20% of operational risks can be insured against. |
|--|--|

2.5 Review and report

Circumstances and business priorities can, and do, change, and therefore risks need to be regularly reviewed. Some risks will move down the priority rating, some may leave, and others will be identified. Risks are reviewed quarterly in more detail by the Accounts Audit and Risk Committee.

- Operational risks are updated quarterly and/or when needed at the service/directorate level, and a 6- monthly health check is undertaken at a corporate level.
- New leadership risks should be discussed with the Performance & Insight team; and a risk template should be completed for CLT approval, ensuring there is an effective assessment of the risk and identification of controls (this template will be provided by the Performance & Insight team, and you should return to them upon completion). Once the new leadership risk is approved by CLT the team will add to the Leadership Risk Register in Unity.
- New operational risks can be entered directly onto service risk registers.

3.0 Roles and Responsibilities

The overall responsibility for the effective management of risks rests with Full Council and the Executive (lead members/portfolio holders) as advised by CLT.

| Who? | When? | | | |
|---------------|---|---------|---|---|
| | Ongoing | Monthly | Quarterly | Annually |
| All employees | Consult the risk management guidance available on the Intranet when appropriate | | Participate in risk discussions within teams as they would be with regards to performance management. | Attend risk management and risk escalation awareness training sessions. |

| Who? | When? | | | |
|--|--|--|---|---|
| | Ongoing | Monthly | Quarterly | Annually |
| Assistant Directors | Own relevant Leadership risk on the corporate risk register | <ul style="list-style-type: none"> • Use Directorate level meetings to monitor progress in delivering the risk management aspects of service plans is monitored at • Present risk reviews and monitoring monthly to CLT meetings | <ul style="list-style-type: none"> • Report on risk register management via our performance management platform, Unity. • Present risk reviews and monitoring monthly to Audit meetings, where appropriate. | <ul style="list-style-type: none"> • Complete a statement of assurance taking responsibility for their individual service / operational risk registers and the implementation of the management actions contained within it to feed into the Annual Governance Statement. • Ensure their Service Plans: <ul style="list-style-type: none"> - Identify operational risks associated with service delivery - Identify actions to control risks - Include key operational risk management activities |
| Portfolio Holder Corporate Services | | <ul style="list-style-type: none"> • To review monthly reports and present any exceptions to the Executive | | To review and sign off Risk Management Strategy yearly review. |
| Accounts, Audit and Risk Committee | | | <ul style="list-style-type: none"> • Receive risk management updates • Review the Leadership risk register | <ul style="list-style-type: none"> • Undertake an annual review of this strategy • Make recommendations to Executive if it is considered that any improvements or amendments are required. |
| Corporate Leadership Team (CLT) | Briefing Executive members to ensure they are aware of Leaderships risks affecting their service areas / portfolios and any improvements in controls which are proposed. | Take Risk Management as an agenda item at meetings. | | <ul style="list-style-type: none"> • Update Leadership Risk Register and remove obsolete risks. • Prepare an Annual Governance Strategy in line with Regulation 4 of the Account and Audit Regulations (2003). |

| Who? | When? | | | |
|---------------------------------------|---|---|---|---|
| | Ongoing | Monthly | Quarterly | Annually |
| Executive | Act as risk champions | Receive and review an integrated finance, performance, and risk report. | | <ul style="list-style-type: none"> • Approve an update of this strategy. • Agree Annual Governance Strategy in line with Regulation 4 of the Account and Audit Regulations (2003). |
| Internal Auditors | Refer to the councils' risk registers when planning audit work. | | | <ul style="list-style-type: none"> • Independently review the risk management strategy and process. • Complete risk based reviews of the key controls identified to mitigate the principal risk to the council's achievement of their strategic objectives. |
| Performance & Insight Team | <ul style="list-style-type: none"> • Manage the Leadership risk register (including management of the performance and risk software and making sure all risks are up to date). • Provide risk related training, support to managers, officers, and councillors. | | <ul style="list-style-type: none"> • Facilitate regular discussions around Risk and Performance at service team meetings, reiterating the escalation process into CLT. • Prepare regular committee reports. | <ul style="list-style-type: none"> • Preparing and updating the risk management strategy. • Provide information for the Annual Governance Statement. |
| S.151 Officer | | | | <ul style="list-style-type: none"> • Ensure the council has robust risk management strategies in place that effectively support the systems of internal control |

3.1 Risk Management Responsibilities in Project Environments

| | |
|---|---|
| Corporate Management CLT | 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"> Accountable for all risk management within the project, and for putting in place a risk management approach or strategy specific to the project. Ensures all risks associated with the project business case are identified, assessed, and controlled. Triggers an escalation |
| 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"> Creates the project-specific risk management approach as directed by the sponsor. 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. |

4.0 Version History

| Version | Date | Section | Reviewer | Description of Amendment |
|---------|------------|---------|---|---|
| 0.5 | 01/07/2019 | All | Louise Tustian (Insight Team Leader) | <ul style="list-style-type: none"> Minor amendments reflecting separation of CDC and SNC. |
| 0.6 | 31/01/2021 | All | Louise Tustian (Head of Insight & Corporate Programmes) | <ul style="list-style-type: none"> Annual review of strategy pre CEDR review. |
| 0.7 | 01/05/2022 | All | Celia Prado-Teeling (Interim Assistant Director – Customer Focus) | <ul style="list-style-type: none"> Annual review of strategy pre CLT review. |
| 0.8 | 02/10/2023 | All | Shona Ware (Assistant Director – Customer Focus) | <ul style="list-style-type: none"> Annual review of strategy. Formatting has been amended. |

For information on versions before 2019 please contact the Performance and Insight team

4.1 Date of next review: April 2024

5.0 Contacts

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Cherwell District Council

Accounts Audit and Risk Committee

15 November 2023

Update on Counter Fraud Annual Plan 2023/24

Report of the Assistant Director of Finance and S151 Officer

This report is public

Purpose of report

This report presents a summary of activity against the Annual Plan for the Counter-Fraud service at CDC for 2023/24, which was previously presented to the Accounts, Audit & Risk July 2023 committee. The Plan supports the Council's Anti-Fraud and Corruption Strategy by ensuring that the Council has in place proportionate and effective resources and controls to prevent and detect fraud as well as investigate those matters that do arise.

1.0 Recommendations

The meeting is recommended to:

- 1.1 Comment and note the summary of activity against the Annual Counter Fraud Plan for 2023/24.

2.0 Introduction

- 2.1 The Counter-Fraud team's purpose is to adhere and to promote the zero-tolerance approach to fraud detailed in the Council's Fraud Strategy, by thoroughly investigating any instances of fraud; applying the appropriate sanctions; undertaking proactive and preventive work to prevent and detect fraud through training, awareness raising, data matching and proactive reviews.

3.0 Report Details

Counter-Fraud Service & Resources Update

- 3.1 There have been no further changes to the Counter Fraud team / resources since the last update to the July 2023 Accounts, Audit & Risk Committee meeting.
- 3.2 The Counter Fraud team continue to meet regularly with the Department for Work and Pensions (DWP) and are undertaking joint investigations with them.
- 3.3 Regular meetings are being held with the Revenues & Benefits Team Manager to discuss new and ongoing cases and investigations.

Case figures as of October 2023:

| Indicator | Value |
|---|--|
| Number of new cases received April – October 2023 | 26 (of which 12 have been closed) |
| Current open cases as of October 2023 | 32 cases currently open (14 from 2023/24, 16 from 2022/23, 2 from 2021/22) |
| With the Police | There are currently no cases with the Police |
| 2023/24 Cases by type | SPD: 14 CTS: 5 CTS & SPD: 2 Council Tax Exemption: 2 Housing Abandonment: 1 Business Rates: 2 |
| YTD New Cases by referral source | Other Local Authority: 1 Anonymous: 16 Member of Public: 2 Employee / Internal Control: 6 Government Agency: 1 |

Outcomes for Year 2023/24 (as at start of October 2023)

| Type of Outcome | Value |
|-----------------|--|
| Investigations | <p>5 Single Person Discounts have been removed following investigations by the team. £2,326 is estimated to have been lost and £1,685 is in recovery by Revenues and Benefits. There is an ongoing benefit to the public sector of £2,501 per annum from these cases.</p> <ul style="list-style-type: none"> The team continue to maintain regular communication with the DWP and are improving case processes where DWP input is required for the investigation of alleged Council Tax Support (CTS) fraud. 4 joint investigations with DWP are in progress. A further 8 are awaiting further progression and being monitored. The team may be monitoring the cases either because a request for joint working has been sent but not yet responded to or it is a case type that the DWP are not currently dealing with. A referral may have been passed internally to their 'Compliance' section |

| | |
|---|---|
| | <p>and we will continue to monitor its progress as the outcome may affect a CDC benefit or discount. In some instances, the DWP will investigate a case without input from us, but we will actively monitor whether any benefit claims have changed on Academy</p> <p>Collaboration between Counter-Fraud and Revenues & Benefits continues to be effective, with the last joint review of fraud cases taking place in September 2023. A number of investigations involving undeclared business premises and properties for business rates and council tax are in the early stages.</p> <p>The team also continues to develop joint working with other internal teams. There has been information sharing and new referrals received from Licencing, Housing and Enforcement Planning.</p> |
| Investigation totals to date (2023/24 cases) | <p>SPD: Estimated Loss: £2,326 Amount in Recovery: £1,685 Future annual loss prevented: £2,501</p> |
| National Fraud Initiative Exercise - recovery and savings figures | <p>45 reports and 761 matches were released in February 2023 and the review is almost complete. £15,173 is being recovered and £74,291 is estimated to have been saved (using the NFI's estimated savings calculation) from the following eight reports:</p> <p>93. Housing Benefit (HB) Claimants to Waiting List: £10,053 being recovered; £4,548 saved (ending and backdating of 1 HB claim)</p> <p>231 & 233. Waiting List to Housing Tenants: £8,566 saved (2 applicants removed from waiting list)</p> <p>240 & 241. Waiting List to HB Claimants: £25,698 saved (6 applicants removed from waiting list)</p> <p>257. Waiting List to Waiting List: £12,849 saved (3 applicants removed from waiting list)</p> <p>261. Waiting List to DWP Deceased: £21,415 saved (5 applicants removed from waiting list)</p> |

| | |
|--|--|
| | <p>436.1 Council Tax Reduction Scheme to Pensions: £5,120 being recovered; £1,215.72 saved (3 CTS claims updated)</p> <p>Further details of the progress of the exercise are in Section 7 (below).</p> |
|--|--|

Update against the Counter-Fraud Plan 2023/24

3.4 The 2023/24 Plan, previously presented to the July 2023 meeting of the Accounts, Audit & Risk Committee, is structured around the 5 pillars of anti-fraud activity in the Local Government Counter Fraud and Corruption Strategy – Fighting Fraud and Corruption Locally:

| Objective | Actions | Timescale | Nov 2023 update |
|--|--|--|--|
| <p>Govern: Have robust arrangements in place to ensure counter-fraud, bribery and corruption measures are embedded throughout the organisation.</p> | <p>1) Deliver awareness training sessions to a range of staff and members to include knowledge of fraud risks, their role in prevention activity and process to refer suspicions.</p> <p>2) Provide the Accounts, Audit & Risk Committee with reports during the year about the arrangements in place to protect the council against fraud and the effectiveness of these.</p> <p>3) Review the council's anti-fraud strategy and identify areas for development by reference to the Fighting Fraud and Corruption Locally strategy.</p> | <p>1) Ongoing.</p> <p>2) July, November & March.</p> <p>3) End of quarter 3.</p> | <p>1) Training to Revenues & Benefits and AARC members has been delivered. A training programme for the remainder of the year is to be determined.</p> <p>2) Provided as per the Counter-Fraud plan.</p> <p>3) An updated anti-fraud strategy will be reported to members in March 2024.</p> |
| <p>Acknowledge: Understand fraud risk and maintain a robust anti-fraud response.</p> | <p>1) Undertake an assessment of the council's overall response to fraud and identify any areas for improvement.</p> <p>2) Continue development of Council's fraud risk register.</p> | <p>1) End of quarter 3.</p> <p>2) End of quarter 3.</p> | <p>1) Currently being incorporated into the review of the Anti-Fraud & Corruption Strategy.</p> <p>2) Work is currently being undertaken to update and develop the Council's fraud risk register. It is being reviewed and updated</p> |

| | | | |
|--|--|--|---|
| | | | including a comparison with other LA's in order to ensure best practice. |
| Prevent: Prevent and detect fraud taking place against the organisation, using proactive work and data analysis. | <ul style="list-style-type: none"> 1) Fraud alerts to be provided to service areas as necessary. 2) Delivery of the NFI 2022/2023 exercise. 3) To enhance data analytic capability in order to identify potential areas of proactive work. | <ul style="list-style-type: none"> 1) Ongoing. 2) End of quarter 3. 3) Ongoing. | <ul style="list-style-type: none"> 1) Alerts have been provided to relevant service areas as required. 2) All matches have been reviewed. Awaiting further releases from HMRC. 3) A review of potential areas for proactive work is ongoing. |
| Pursue: Carry out fraud investigations, apply sanctions to offenders and recover losses. | <ul style="list-style-type: none"> 1) Conduct investigations into suspected fraud and malpractice. 2) Continue to work with the Department for Work and Pensions (DWP) Fraud and Compliance teams to counter Council Tax Reduction Scheme (CTRS) fraud. 3) To carry out a risk assessed review of the NFI CT single person discount exercise. | <ul style="list-style-type: none"> 1) Ongoing. 2) Ongoing. 3) End of quarter 4. | <ul style="list-style-type: none"> 1) This is ongoing. 32 cases are currently open. 2) This is ongoing. 4 joint investigations with DWP for CTRS fraud are in progress. 3) Ongoing. |
| Protect: Recognising the harm that fraud can cause in the community. | <ul style="list-style-type: none"> 1) Review and share fraud trends and new threats with relevant service areas. 2) Respond to information requests from the Police, other Local Authorities and investigation bodies such as HMRC. 3) Continue to foster relations with other CDC teams such as Licencing. | <ul style="list-style-type: none"> 1) Ongoing. 2) Ongoing. 3) Ongoing. | <ul style="list-style-type: none"> 1) Ongoing. 2) Ongoing. 3) Ongoing. |

Other updates / Cases to note:

3.5 Checks made have identified an electoral roll registration without a corresponding council tax account. The Counter Fraud Team has carried out a site visit and identified what appears to be a residential dwelling. Further checks undertaken have identified the possibility that as well as an undeclared residential building, outbuildings have been modified for business purposes, without any registration for business rates. A liaison meeting to discuss the case has taken place with the

Revenue and Benefits team and investigations are continuing, including review of controls in place for the identification of residential dwellings for council tax purposes.

- 3.6 In a similar case, checks made into one business for potentially undeclared business rates has highlighted other businesses potentially unregistered at the same address. Again, a case discussion has been held with the Revenue and Benefits Team and investigations are ongoing. The aim in all of these cases is to get any identified business registered for business rates and residential dwellings registered for council tax. Evidence will be gathered to allow registrations to be backdated if necessary.

National Fraud Initiative – full update

- 3.7 The National Fraud Initiative (NFI) reports from the 2022/23 bi-annual data matching exercise were released in February 2023 and the review is almost complete. There was a total of 761 matches and 45 reports.

- 3.8 9 reports (339 matches) were related to potential duplicate payments to creditors, or duplicate creditor records. All 9 reports were reviewed collaboratively by officers from the Finance Team and Counter Fraud, with 8 reports reviewed in full and a sample of 63 matches reviewed in the 9th report. There were nil duplicate creditor payments found and nil VAT overpayments found, which highlighted strong controls in place within Finance. 1 dormant duplicate creditor record was removed from the system as a preventative measure.

- 3.9 All matches related to housing have been processed and closed. A total of 16 housing applications were removed from the waiting list, generating a total estimated saving of £68,528 (based on the NFI's calculation that £4,283 will be saved per housing application removed). A breakdown is as follows:

- 5 housing applications were removed where the 'Waiting List to DWP Deceased' report identified that the applicants had passed away but still had active housing applications.
- 3 housing applications were removed because they were receiving Housing Benefit (HB) at a new address within the district and had failed to inform housing that they had moved.
- 8 housing applications were removed following the sharing of information between the Counter-Fraud Team and another council. All 8 were removed because it was identified they had moved to a new address without informing the housing team. 3 were receiving HB at a new address out of area; 2 had started new social housing tenancies out of area; and 3 had applied for housing with another council from a new address.

- 3.10 20 reports (286 matches) related to Council Tax Support (CTS) or HB claims. All matches have been processed. Only 1 match remains open and is currently under review. A breakdown is as follows:

- 1 match in 'Housing Benefit Claimants to Waiting List' generated an overpayment of £10,053.96 of Housing Benefit and an estimated future saving of £4,548. Information sharing with another council helped to identify that the claimant had moved out of area, as they had applied for housing at their new address.

- 3 occupational pensions were found to have been undeclared for the customers' Council Tax Support claims. Both claims were updated with a total recovery of £5,120 and estimated future saving of £1,215.

- 3.11 All other matches in the exercise have been closed and cleared of fraud and error. This is because the information was either already known to the council, was not considered to be an issue, or was referred to the DWP (in the case of passported CTS & HB claims). There were no issues found relating to the council's payroll or conflicts of interest.
- 3.12 The NFI announced in October that matches between CTS/HB claims and HMRC data are soon to be released. These reports generated a financial outcome for the council in the 2020/21 exercise and will be reviewed upon release.

4.0 Conclusion and Reasons for Recommendations

- 4.1 In conclusion, this paper presents a summary of activity against the Counter Fraud plan for 2023/24.
- 4.2 The Committee are requested to review and comment on the update on activity. The next counter fraud update will be made to the March 2024 committee.

5.0 Consultation

Not applicable

6.0 Alternative Options and Reasons for Rejection

- 6.1 Not applicable

7.0 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

Legal Implications

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

Comments checked by:

Shiraz Sheikh, Monitoring Officer & Assistant Director – Law, Governance
shiraz.sheikh@cherwell-dc.gov.uk

Risk Implications

- 7.3 There are no risk management issues arising directly from this report. Any arising risks will be managed through the service Operational Risk and escalated to the Leadership Risk Register as and when necessary.

Comments checked by:

Celia Prado-Teeling, Performance & Insight Team Leader, 01295 221556

Celia.prado-teeling@cherwell-dc.gov.uk

Equalities and Inclusion Implications

- 7.4 There are no equalities and inclusion implications arising directly from this report.

Comments checked by:

Celia Prado-Teeling, Performance & Insight Team Leader, 01295 221556

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Sustainability Implications

- 7.5 There are no sustainability implications arising directly from this report.

Comments checked by:

Jo Miskin, Climate Action Manager, 01295 221748,

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8.0 Decision Information

Wards Affected

All wards are affected

Links to Corporate Plan and Policy Framework

All corporate plan themes.

Lead Councillor

Councillor Adam Nell – Portfolio Holder - Finance

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

15 November 2023

Treasury Management Mid-Year Review Report 2023/24

Report of the Assistant Director of Finance

This report is public.

Purpose of report

To receive information on treasury management performance and compliance with treasury management policy for 2023-24 as required by the Treasury Management Code of Practice.

All treasury management activities undertaken to date during the financial year 2023-24 complied with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy, and all Prudential Indicators were met during the reporting period.

Over the course of the year, there is an overall Treasury Management forecast underspend of £1.214m compared to the approved budget.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of this Treasury Management Mid-Year Review Report.

2.0 Introduction

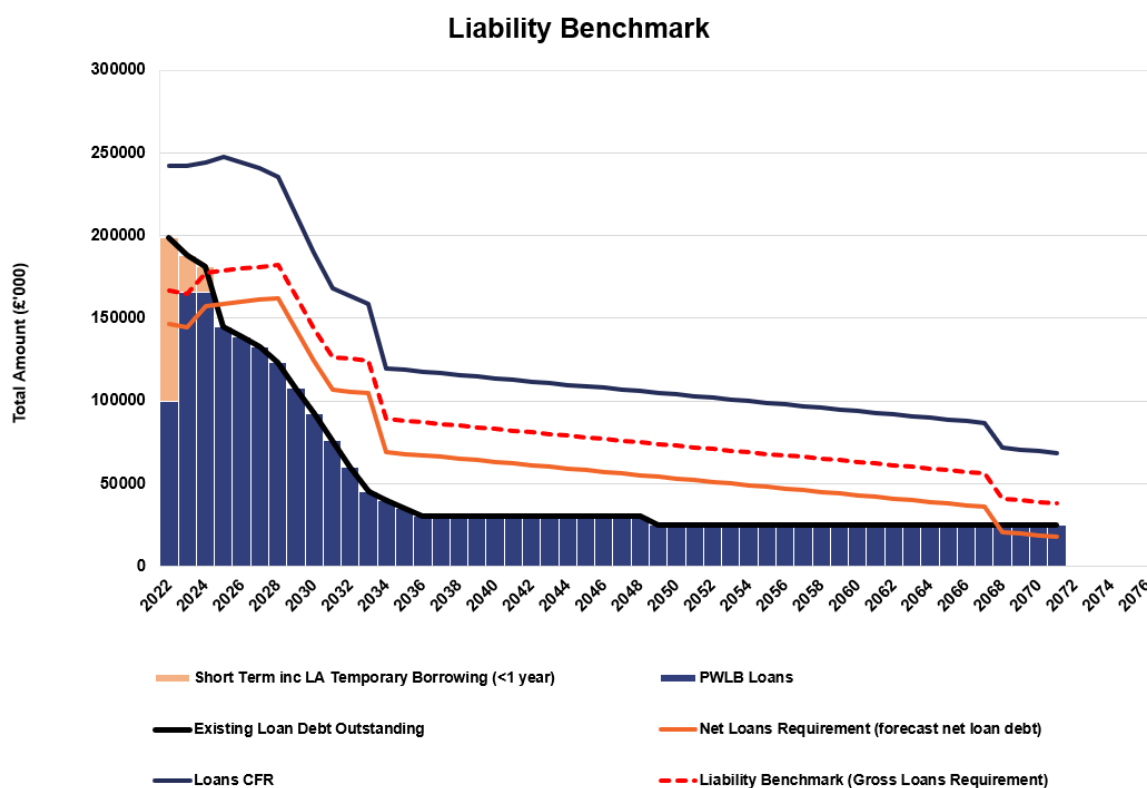
- 2.1 In 2012 the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve Treasury Management semi-annual and annual reports.
- 2.2 The Council's Treasury Management strategy for 2023-24 was approved by full Council on 27 February 2023. The Treasury indicators have been included in this report as per the 2021 CIPFA Treasury Management in the Public Services Code of Practice.
- 2.3 The Council's Capital Strategy covering capital expenditure and non-treasury investments, complying with CIPFA's requirement, was approved by full Council on 27 February 2023. As per 2021 CIPFA Prudential Code for Capital Finance in Local Authorities the Prudential indicators have been attached in Appendix 1.

3.0 Report Details

Summary position and strategy

- 3.1 The Council has continued to pursue its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and borrowing costs.
- 3.2 As at the end of September 23 the Council had borrowing of £168m and investments of £18m – a net borrowing position of £150m (30/06/23: £147m). This change is due to a £3m increase in loans to subsidiaries within their agreed loan facilities.
- 3.3 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30th September 2023, the Council has operated within the treasury and prudential indicators set out in the Council’s Treasury Management Strategy Statement for 2023/24. The Assistant Director of Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators.
- 3.4 The Liability benchmark is a prudential indicator which shows the Capital Financing Requirement, loan requirements and committed loans in a 50-year forecast.

Table 1: Liability benchmark



The graph above demonstrates that the Council is expecting its loans to decrease in line with the Capital Financing Requirement and that it will not be in an overborrowed position in the future. The shortfall between the Capital Financing Requirement and net loan requirement is made up of internal borrowing from Reserves and working Capital.

Borrowing performance for year as of 30 September 2023

- 3.5 The Council requires external borrowing to fund its capital programme and had a total debt of £168m at the report date. The increased cost of borrowing has resulted in the Council moving from an equal mix of short and long-term borrowing to predominantly medium to long term loans from the Public Works Loan Board (PWLB) to provide interest rate certainty. This move was made in July 2022 while rates were still comparatively low.
- 3.6 The Council's chief objective when borrowing is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required.

Table 2: Borrowing Position for quarter ended 30 September 2023

| | Borrowing Amount £m | Average Interest Rate | Interest Paid Budget £m | Interest Paid Actual £m | Variance to Date £m |
|----------------|--------------------------------|------------------------------|------------------------------------|------------------------------------|--------------------------------|
| Apr – Sep 23 | 172 (average) | 2.12% | 2.046 | 2.046 | (0.000) |
| As at 30/09/23 | 168 | 2.16% | - | - | - |

* Interest payable relates to external loans only, excluding finance lease and other interest

- 3.7 As a comparison, the table below shows average borrowing rates.

Table 3: High / Low / Average PWLB Rates for 01/04/2023 – 29/09/2023

| | 1 Year | 5 Year | 10 Year | 25 Year | 50 Year |
|----------------|---------------|---------------|----------------|----------------|----------------|
| Low | 4.65% | 4.14% | 4.20% | 4.58% | 4.27% |
| Date | 06/04/2023 | 06/04/2023 | 06/04/2023 | 06/04/2023 | 05/04/2023 |
| High | 6.36% | 5.93% | 5.51% | 5.73% | 5.45% |
| Date | 06/07/2023 | 07/07/2023 | 22/08/2023 | 17/08/2023 | 28/09/2023 |
| Average | 5.62% | 5.16% | 5.01% | 5.29% | 5.00% |
| Spread | 1.71% | 1.79% | 1.31% | 1.15% | 1.18% |

Source: Link

- 3.8 Interest payable for the full year is forecast to be in line with the budget. With the rapid increase in interest rates over the last eighteen months, performing to budget is in itself an achievement, and highlights good planning and active treasury management. This is also forecast to be offset by higher than budgeted interest receivable resulting in an overall positive variance.

3.9 A full list of current borrowing at 30 September 2023 is shown below:

Table 4: Borrowing

| Lender | Principal Borrowed £m | Maturity Date |
|-------------------------|-----------------------|---------------|
| Craven District Council | 2 | 15/11/2023 |
| PWLB 7-year maturity | 21 | 19/10/2024 |
| PWLB 6-year maturity | 6 | 25/09/2025 |
| PWLB 7-year maturity | 6 | 19/09/2026 |
| PWLB 5-year maturity | 10 | 26/07/2027 |
| PWLB 10-year maturity | 10 | 31/05/2028 |
| PWLB 6-year maturity | 5 | 26/07/2028 |
| PWLB 7-year maturity | 10 | 26/07/2029 |
| PWLB 10-year maturity | 6 | 25/09/2029 |
| PWLB 8-year maturity | 10 | 26/07/2030 |
| PWLB 11-year maturity | 6 | 19/09/2030 |
| PWLB 9-year maturity | 16 | 26/07/2031 |
| PWLB 10-year maturity | 15 | 26/07/2032 |
| PWLB 15-year maturity | 5 | 31/05/2033 |
| PWLB 15-year maturity | 5 | 25/09/2034 |
| PWLB 16-year maturity | 5 | 19/09/2035 |
| PWLB 30-year maturity | 5 | 31/05/2048 |
| PWLB 50-year maturity | 25 | 10/11/2071 |
| TOTAL | 168 | |

3.10 The Council monitors its exposure to refinancing risk with the maturity structure of borrowing indicator. While it is important to have flexibility to navigate changing market conditions is it critical that loan repayments are spread appropriately. The lower limit has been considered but kept at zero to ensure that the Council is not forced into taking borrowings in a particular category that would lock us into an unfavourable borrowing situation.

Table 5: Maturity structure of borrowing

| Refinancing rate risk indicator | Upper limit | Lower limit | Actual structure |
|---------------------------------|-------------|-------------|------------------|
| Under 12 months | 50% | 0% | 1.19% |
| 12 months and within 24 months | 50% | 0% | 12.50% |
| 24 months and within 5 years | 60% | 0% | 22.02% |
| 5 years and within 10 years | 70% | 0% | 40.48% |
| 10 years and above | 80% | 0% | 23.81% |

Investment performance for year as of 30 September 2023

- 3.11 Funds available for investment are on a temporary basis, and the level of funds available is mainly dependent on the timing of precept payments, receipt of grants and funding of the Capital Programme.
- 3.12 The Council has seen an increase in interest income in line with rises in the Bank of England base rate. Exploring investment counterparties and analysing opportunities have enabled the Council to maximise the returns on its small investment portfolio. Table 6 below shows the investment position during and at the end of the reporting period.

Table 6: Investment Position

| | Investment Amount £m | Average Interest Rate | Interest Earned Budget £m | Interest Earned Actual £m | Variance to Date £m |
|----------------|-------------------------|-----------------------|------------------------------|------------------------------|------------------------|
| Apr – Sept 23 | 24 (average) | 4.82% | (0.253) | (0.589) | (0.336) |
| As at 30/09/23 | 18 | 5.29% | - | - | - |

- 3.13 As a comparison Table 7 below shows average money-market rates keeping in mind that the Council has an average investment period of 30 days.

Table 7: Average Investment Rates for the reporting period

| | Bank Rate | SONIA | 1 mth | 3 mth | 6 mth | 12 mth |
|-----------|------------|------------|------------|------------|------------|------------|
| High | 5.25 | 5.19 | 5.39 | 5.48 | 5.78 | 6.25 |
| High Date | 03/08/2023 | 29/09/2023 | 19/09/2023 | 30/08/2023 | 07/07/2023 | 07/07/2023 |
| Low | 4.25 | 4.18 | 4.17 | 4.31 | 4.46 | 4.47 |
| Low Date | 03/04/2023 | 04/04/2023 | 03/04/2023 | 03/04/2023 | 06/04/2023 | 06/04/2023 |
| Average | 4.81 | 4.74 | 4.83 | 5.03 | 5.26 | 5.45 |
| Spread | 1.00 | 1.01 | 1.22 | 1.17 | 1.33 | 1.77 |

*SONIA (Sterling Overnight Index Average) is an interest rate benchmark published by the Bank of England.
Source: [Link](#)

- 3.14 While maintaining a balance between security, liquidity and yield the Council is always looking for ways to invest sustainably (or green investments). This must be done within the criteria laid out in the approved Treasury Management Strategy with counterparties that meet the Councils investment criteria.

The Council continues to invest in Standard Chartered Bank's sustainable fixed deposit (aligned to the United Nations' Sustainable Development Goals) while three of the Money Market funds meets the criteria pursuant to Article 8 of the Sustainable Finance Disclosure Regulation (Regulation EU/2019/2088). These are highlighted in green in Table 8.

- 3.15 A full list of current investments is shown in Table 8 below:

Table 8: Investments

| Counterparty | Principal Deposited £m | Maturity Date / Notice period |
|---|------------------------|-------------------------------|
| Fixed Term Deposits | | |
| National bank of Kuwait (International) | 3.00 | 02/11/2023 |
| Standard Chartered Bank | 3.00 | 09/11/2023 |
| Development bank of Singapore | 3.00 | 15/01/2024 |
| | | |
| Money Market Funds | | |
| CCLA Investment Management Limited | 0.05 | Same day |
| Legal & General Investment Management | 3.12 | Same day |
| Northern Trust Asset Managements | 1.50 | Same day |
| Federated Investors UK | 4.13 | Same day |
| Goldman Sachs Asset Management | 0.04 | Same day |
| TOTAL | 17.84 | |

3.16 Compliance with investment limits are detailed in Table 9 below:

Table 9: Investment Limits

| Counterparty | 2023/24 Limit £m | Complied? |
|---|------------------|-----------|
| UK Central Government | Unlimited | Yes |
| Other Local Authorities | 5 each | Yes |
| Any group of organisations under the same ownership | 5 per group | Yes |
| Approved counterparties – Banks/Building Societies | 3 each | Yes |
| Any group of pooled funds under the same management | 5 per manager | Yes |
| Money Market Funds total | 15 in total | Yes |

3.17 The Council has set limits for long term Treasury Management Investments in its strategy. This Indicator seeks to support control of liquidity risk and reduce the potential need to have to make early exit from an investment in order to recover funds. The indicator relates solely to the Authority's investments for treasury management purposes.

Table 10: Limits for Long Term Treasury Management Investments

| | 2023/24 Limit set £m | Complied? |
|---|----------------------|-----------|
| Limit on principal invested beyond year end | 5 | Yes |

Non-treasury investment activity

- 3.18 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council. This is replicated in the government's Statutory Guidance on Local Government Investments, in which the definition of investments is further broadened to also include all such assets held partially for financial return.
- 3.19 As of the 30th September 2023, the Council holds £107.8m of investments in the form of shares (£35.6m) and loans (£75.2m) to subsidiary companies and other organisations, primarily Graven Hill and Crown House.
- 3.20 The loan elements of these non-treasury investments generate a higher rate of return than earned on treasury investments due to the commercial nature of the loans issued. Table 11 shows the investment position for this reporting period.

Table 11: Non-treasury Investment Position

| | Investment Amount £m | Average Interest Rate | Interest Earned Budget £m | Interest Earned Actual £m | Variance to Date £m |
|---------------|-------------------------|-----------------------|------------------------------|------------------------------|------------------------|
| Apr – Sept 23 | 75.2 | 6.76% | (2.311) | (2.561) | (0.250) |

Overall performance

- 3.21 The overall performance for the mid-year review report:

Table 12: Overall Treasury Position for the Period

| | Budget to date £m | Actual to date £m | Variance to date £m |
|----------------------------------|----------------------|----------------------|------------------------|
| Borrowing costs | 1.954 | 1.926 | (0.028) |
| Finance lease and other interest | 0.127 | 0.155 | 0.028 |
| Treasury income | (0.253) | (0.589) | (0.336) |
| Non-treasury income | (2.311) | (2.561) | (0.250) |
| Total cost/(income) | (0.483) | (1.069) | (0.586) |

- 3.22 The full year forecast is expected to show an overall positive variance against budget of (£1.214m) as detailed in Table 13 below.

Table 13: Overall Treasury Position Forecast to Year End

| | Full Year Budget £m | Full Year Actual £m | Full Year Variance £m |
|----------------------------------|------------------------|------------------------|--------------------------|
| Borrowing costs | 3.909 | 3.851 | (0.058) |
| Finance lease and other interest | 0.253 | 0.268 | 0.015 |
| Treasury income | (0.506) | (1.178) | (0.672) |
| Non-treasury income | (4.622) | (5.121) | (0.499) |
| Total cost/(income) | (0.966) | (2.180) | (1.214) |

Interest rate forecast

- 3.23 The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The latest forecast sets out a view that short, medium and long-dated interest rates will be elevated for the next year, as the Bank of England seeks to squeeze inflation out of the economy.

Table 14: Link Forecast Rates published on 25th September 2023

| Link Group Interest Rate View | 25.09.23 | | | | | | | | | | | | |
|-------------------------------|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 |
| BANK RATE | 5.25 | 5.25 | 5.25 | 5.00 | 4.50 | 4.00 | 3.50 | 3.00 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 |
| 3 month ave earnings | 5.30 | 5.30 | 5.30 | 5.00 | 4.50 | 4.00 | 3.50 | 3.00 | 2.80 | 2.80 | 2.80 | 2.80 | 2.80 |
| 6 month ave earnings | 5.60 | 5.50 | 5.40 | 5.10 | 4.60 | 4.10 | 3.60 | 3.10 | 2.90 | 2.90 | 2.90 | 2.90 | 2.90 |
| 12 month ave earnings | 5.80 | 5.70 | 5.50 | 5.20 | 4.70 | 4.20 | 3.70 | 3.20 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| 5 yr PWLB | 5.10 | 5.00 | 4.90 | 4.70 | 4.40 | 4.20 | 4.00 | 3.90 | 3.70 | 3.70 | 3.60 | 3.60 | 3.50 |
| 10 yr PWLB | 5.00 | 4.90 | 4.80 | 4.60 | 4.40 | 4.20 | 4.00 | 3.80 | 3.70 | 3.60 | 3.60 | 3.50 | 3.50 |
| 25 yr PWLB | 5.40 | 5.20 | 5.10 | 4.90 | 4.70 | 4.40 | 4.30 | 4.10 | 4.00 | 3.90 | 3.80 | 3.80 | 3.80 |
| 50 yr PWLB | 5.20 | 5.00 | 4.90 | 4.70 | 4.50 | 4.20 | 4.10 | 3.90 | 3.80 | 3.70 | 3.60 | 3.60 | 3.60 |

Note: **Capital Economics** is an independent economic research business based in London to which Link are comparing their forecasts to demonstrate the market view

4.0 Conclusion and Reasons for Recommendations

- 4.1 This report details the Treasury Performance for the Council for the period ending 30th September 2023. It is submitted to the Accounts, Audit and Risk Committee for information as required by the Treasury Management Code of Practice.

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 There are no financial implications arising directly from any outcome of this report.

Comments checked by:

Lynsey Parkinson, Strategic Finance Business Partner - Strategic Budget Setting
01295 221739, Lynsey.Parkinson@Cherwell-DC.gov.uk

Legal Implications

- 7.2 The presentation of the Report is required by regulations issued under the Local Government Act 2003 to review the treasury management activities, the actual prudential indicators and the treasury related indicators.

Comments checked by:

Shahin Ismail, Law & Governance | Interim Head of Legal Services
shahin.ismail@cherwell-dc.gov.uk

Risk 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. This and any other risks related to this report will be managed through the service operational risk and escalated to the leadership risk register as and when necessary.

Comments checked by:

Celia Prado-Teeling, Performance and Insight Team Leader
01295 221556, celia.prado-teeling@cherwell-dc.gov.uk

Equalities Implications

- 7.4 There are no equalities implications arising directly from this report.

Comments checked by:

Celia Prado-Teeling, Performance and Insight Team Leader
01295 221556, celia.prado-teeling@cherwell-dc.gov.uk

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

N/A

Lead Councillor

Councillor Adam Nell, Portfolio Holder for Finance

Document Information

Appendix number and title

- Appendix 1 - Prudential Indicators

Background papers

None

Report Author and contact details

Janet du Preez – Finance Business Partner – Treasury and Insurance
01295 221606, janet.du-preez@cherwell-dc.gov.uk

Appendix 1 – Capital Prudential Indicators

1. Introduction

In December 2021, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. These require all local authorities to prepare a Capital Strategy which is to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability.

The Indicators laid out in this appendix are required to help Members understand and evaluate the prudence and affordability of the Authority's capital expenditure plans and the borrowing and investment activities undertaken in support of this.

2. Capital Expenditure

This provides a summary of the Authority's capital expenditure. It reflects matters previously agreed and those proposed for the forthcoming financial periods. The extent to which such expenditure is to be financed will influence how the Authority's Capital Financing Requirement Indicator (see point 3 below) will change.

Table A1: Capital Expenditure

| | Actual 22/23 £m | Estimate 23/24 £m | Estimate 24/25 £m | Estimate 25/26 £m |
|--|-----------------------|-------------------------|-------------------------|-------------------------|
| Service Loans | 6.0 | 5.0 | | |
| Capital Projects | 9.4 | 23.2 | 15.4 | 2.4 |
| New Finance Lease and PFI | | | | |
| New Projects (not yet approved by Full Council) | | | 7.0 | |
| Total Capital Expenditure | 15.4 | 28.2 | 22.4 | 2.4 |
| Financed by: | | | | |
| Capital Receipts (Asset Disposals) | (0.8) | (0.2) | (0.8) | (0.2) |
| Capital Receipts (Loan Principal) | (6.0) | (11.0) | | |
| Revenue Contributions | | | | |
| Grants and other contributions (existing projects) | (4.5) | (6.5) | (7.2) | (1.2) |
| Grants and other contributions (new projects) | | | (4.7) | |
| Finance Lease and PFI liabilities | | | | |
| Total financing | (11.3) | (17.7) | (12.7) | (1.4) |
| Net financing need for year | 4.1 | 10.5 | 9.7 | 1.0 |

From this indicator it can be seen that the majority of the Council's capital expenditure is financed from capital receipts or grants and so does not significantly

increase financing costs. The following indicators show that the residual amounts that require financing from the revenue budget are proportionate and affordable.

3. Capital Financing Requirement

The Capital Financing Requirement (CFR) shows the difference between the Authority's capital expenditure and the revenue or capital resources set aside to finance that spend.

The CFR will increase where capital expenditure takes place and will reduce as the Authority makes Minimum Revenue Provision (MRP) or otherwise sets aside revenue or capital resources to finance expenditure.

Table A2: Capital Financing Requirement

| | Actual 22/23 £m | Estimate 23/24 £m | Estimate 24/25 £m | Estimate 25/26 £m |
|--------------------|-----------------------|-------------------------|-------------------------|-------------------------|
| Opening CFR | 242.2 | 242.2 | 247.1 | 251.1 |
| Capital Spend | 15.4 | 28.2 | 22.4 | 2.4 |
| Resources used | (11.3) | (17.7) | (12.7) | (1.4) |
| MRP | (4.1) | (5.6) | (5.7) | (5.9) |
| Closing CFR | 242.2 | 247.1 | 251.1 | 246.2 |

This indicator show that the total financing requirement is estimated to stay relatively level across the next three years. Each year the council sets a prudent MRP policy that will set aside revenue resources to finance capital expenditure over the life of the assets.

4. Gross Debt and the Capital Financing Requirement

An authority should only borrow to support a capital purpose, and borrowing should not be undertaken for revenue or speculative purposes.

The Authority should ensure that gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and the next two financial years.

If the level of gross borrowing is below the Authority's capital borrowing need – the CFR – it demonstrates compliance with the requirement of this Indicator.

Table A3: Gross Debt & Capital Financing Requirement

| | Actual 22/23 £m | Estimate 23/24 £m | Estimate 24/25 £m | Estimate 25/26 £m |
|---------------------------------|-----------------------|-------------------------|-------------------------|-------------------------|
| CFR | 242.2 | 247.1 | 251.1 | 246.2 |
| Gross borrowing | 188.0 | 186.0 | 191.0 | 186.0 |
| Under / (over) borrowing | 54.2 | 61.1 | 60.1 | 60.2 |

This indicator shows that the council is under borrowed, and so that debt is only being used to support capital expenditure. Under borrowing indicates that the council has been prudent and used internal borrowing to reduce the interest cost that is associated with external borrowing.

5. Operational Boundary and Authorised Limit

Estimated gross borrowing together with the level of other long-term liabilities are used to reveal the possible level of external debt. This clarifies the Authority's overall level of possible external debt in comparison to the Authority's Operational Boundary and Authorised Limit.

The Operational Boundary is the limit beyond which external debt is not normally expected to exceed.

Unlike the Authorised Limit, the Operational Boundary is not an absolute limit, but it reflects the Authority's expectations of the level at which external debt would not ordinarily be expected to exceed.

Table A4: Estimated Debt, Operational Boundary and Authorised Limit

| | |
|-------------------------------------|------------|
| | £m |
| Borrowings | 186 |
| Internal Borrowing | 61.1 |
| Other long-term liabilities | 34.9 |
| 2023/24 Debt Estimate | 282 |
| | |
| 2023/24 Operational Boundary | 290 |
| 2023/24 Authorised Limit | 310 |

The council continues to have debt below its operational boundary, indicating that the council is effectively managing its debt and cashflows.

6. Financing cost to Net Revenue Stream

This Indicator shows the trend in the cost of capital (borrowing and other long-term obligation costs) against the net revenue stream. Funding includes income such as Council tax, Business Rates as well as new homes bonus and revenue support government grants but excludes income from investments.

The forecast is in line with the approved Capital Strategy.

Table A5: Ratio of Financing costs to Net Revenue stream

| | Actual 22/23 £m | Estimate 23/24 £m | Estimate 24/25 £m | Estimate 25/26 £m |
|--------------------------------------|-----------------------|-------------------------|-------------------------|-------------------------|
| Interest costs on existing borrowing | 3.6 | 3.8 | 4.5 | 4.8 |
| MRP | 4.1 | 5.6 | 5.7 | 5.9 |
| Total Financing Costs | 7.7 | 9.4 | 10.2 | 10.7 |
| Funding | 22.6 | 28.2 | 27.0 | 22.1 |
| Non-specific grant income | 1.4 | 3.0 | 3.0 | 0.0 |
| Net Revenue Stream | 24.0 | 31.2 | 30.0 | 22.1 |
| Ratio of Financing costs | 32.1% | 30.1% | 34.0% | 48.4% |

This indicator shows that the ratio of financing costs to net revenue streams is high, however what this doesn't consider is that a large proportion of the council's financing costs are offset by the interest from on-lending to the Council's subsidiaries, and income generated by the commercial assets acquired as part of the regeneration programme. See item 7 below for detail on this.

7. Net Income from Service Investment Income to Net Revenue Stream

The next indicator is the Net income from Commercial and Service investments Income to Net Revenue Stream. This Indicator shows the financial exposure of the Authority to the loss of its non-treasury investment income.

The Council does not hold any commercial investments. All investments that are not treasury related are service investments, the majority relating to housing and regeneration.

Table A6: Ratio of Investment Income to Net Revenue stream

| | Actual 22/23 £m | Estimate 23/24 £m | Estimate 24/25 £m | Estimate 25/26 £m |
|-----------------------------------|-----------------------|-------------------------|-------------------------|-------------------------|
| Income from long term investments | 4.9 | 5.1 | 4.5 | 4.5 |
| Income from assets | 2.7 | 3.3 | 3.1 | 5.3 |
| Total Investment income | 7.6 | 8.4 | 7.6 | 9.8 |
| Funding | 22.6 | 28.2 | 27.0 | 22.1 |
| Non-specific grant income | 1.4 | 3.0 | 3.0 | 0.0 |
| Net Revenue Stream | 24.0 | 31.2 | 30.0 | 22.1 |
| Ratio of investment income | 31.8% | 27.0% | 25.4% | 44.2% |

The last two ratios do detail, as much of the debt was incurred with the expectation of non-treasury investment income that would in part offset the financing costs.

Deducting the Ratio of net income from Service Investments from the Ratio of Financing costs reveals the affordability ratio.

Table A7: Affordability Ratio

| | 22/23 | 23/24 | 24/25 | 25/26 |
|----------------------------|-------------|-------------|-------------|-------------|
| Ratio of Financing costs | 32.1% | 30.1% | 34.0% | 48.4% |
| Ratio of Investment income | 31.8% | 27.0% | 25.4% | 44.2% |
| Affordability ratio | 0.3% | 3.1% | 8.6% | 4.2% |

There is no established Local Authorities benchmark for this ratio as activities differ widely. Interest earned on Treasury investment is not taken into account in either of the calculations and therefore it is not unexpected to see a positive percentage when the two are netted off against each other.

The affordability ratio shows that after taking into account the income relating to the capital expenditure that is being financed the Council has an affordable net cost of capital financing.

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Cherwell District Council

Accounts Audit and Risk Committee

15 November 2023

Local Code of Corporate Governance

Report of the Assistant Director of Law and Governance

This report is public

Purpose of report

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

1.0 Recommendations

The meeting is recommended:

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

2.0 Introduction

- 2.1 Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It comprises systems, processes, cultures and values by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate leads the community. The Leader of the Council and Chief Executive have a special role as custodians of the Council's governance arrangements, but good governance is also the responsibility of all Members and Officers.
- 2.2 The Chartered Institute of Public Finance and Accountancy, ("CIPFA") and the Society of Local Authority Chief Executives ("SOLACE") published a framework document for Corporate Governance in Local Government in April 2016. The Council is committed to the principles of good corporate governance through the adoption and maintenance of a Local Code of Corporate Governance, as recommended by the CIPFA/SOLACE Framework.
- 2.3 This Local Code of Corporate Governance therefore sets out and describes the Council's commitment to corporate governance and identifies arrangements that will ensure its effective implementation and application in all aspects of the Council's work. This Local Code of Corporate Governance will be reviewed by the Statutory Officers through the Corporate Oversight & Governance Group regularly and at

least annually as part of the preparation of the Annual Governance Statement.

3.0 Report Details

- 3.1 In 2016 the Chartered Institute of Public Finance and Accountancy (CIPFA) & Society of Local Authority Chief Executives (SOLACE) produced an updated guidance and framework with the identified principles that should underpin the governance of each local authority, and a structured approach to assist individual authorities to achieve good governance, “Delivering Good Governance in Local Government: Framework 2016 Edition.” The Code of Corporate Governance attached at Appendix 1 is based upon this guidance.
- 3.2 The Framework urges local authorities to test their structures against seven core principles by:
- Reviewing their existing governance arrangements against the Framework
 - Developing and maintaining an up-to-date local code of governance including arrangements for ensuring its ongoing application and effectiveness
 - Preparing an Annual Governance Statement in order to report publicly on the extent to which they comply with their own code, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.
- 3.3 Unlike the Annual Governance Statement, there is no statutory requirement for a Local Code of Corporate Governance. Rather, the Code complements and underpins the Annual Governance Statement by demonstrating, with evidence, how the Council meets the good governance principles set out in the Good Governance Framework published by the Chartered Institute of Finance and Accountancy.
- 3.4. The Local Code of Corporate Governance sets out how Cherwell District Council complies with the requirements of the Code and identifies key documents, which provide detailed information as to how the Council ensures the Corporate Governance principles are adhered to.
- 3.5 Appendix A of the Local Code of Governance details the actions and behaviours taken by the Council that demonstrate good governance; as taken from 2016 CIPFA & SOLACE: “Delivering Good Governance in Local Government: Framework 2016 Edition”
- 3.6 Appendix B of the Local Code of Corporate Governance identifies evidence that demonstrates that the Council is delivering good governance.

4.0 Conclusion and Reasons for Recommendations

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

5.0 Consultation

Corporate Leadership Team

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

7.0 Implications

Financial and Resource Implications

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

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 arising directly from this report.

Comments checked by:

Shiraz Sheikh, Assistant Director Law & Governance, 01295 221651

shiraz.sheikh@cherwell-dc.gov.uk

Risk Implications

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

Comments checked by:

Celia Prado-Teeling, Performance & Insight Team Leader, 01295 221556

Celia.Prado-Teeling@cherwell-dc.gov.uk

Equalities and Inclusion Implications

- 7.4 There are no equalities implications arising directly from this report.

Comments checked by:

Celia Prado-Teeling, Performance & Insight Team Leader, 01295 221556

Celia.Prado-Teeling@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision N/A

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All wards are affected

Links to Corporate Plan and Policy Framework

All corporate plan themes.

Lead Councillor

Cllr Dallimore - Portfolio Holder for Corporate Services

Document Information

Appendix number and title

- Appendix 1 – Local Code of Corporate Governance

Background papers

None

Report Author and contact details

Shiraz Sheikh, Assistant Director of Law and Governance, 01295 221651
shiraz.sheikh@cherwell-dc.gov.uk



Cherwell

DISTRICT COUNCIL
NORTH OXFORDSHIRE

Code of Corporate Governance

2023-2024

Review date: September 2024

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Introduction

In 2016 CIPFA & SOLACE produced an updated guidance and framework with the identified principles that should underpin the governance of each local authority, and a structured approach to assist individual authorities to achieve good governance, “Delivering Good Governance in Local Government: Framework 2016 Edition.”

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

What is Governance?

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

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

GUIDANCE AND FRAMEWORK

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

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

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

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

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

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

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

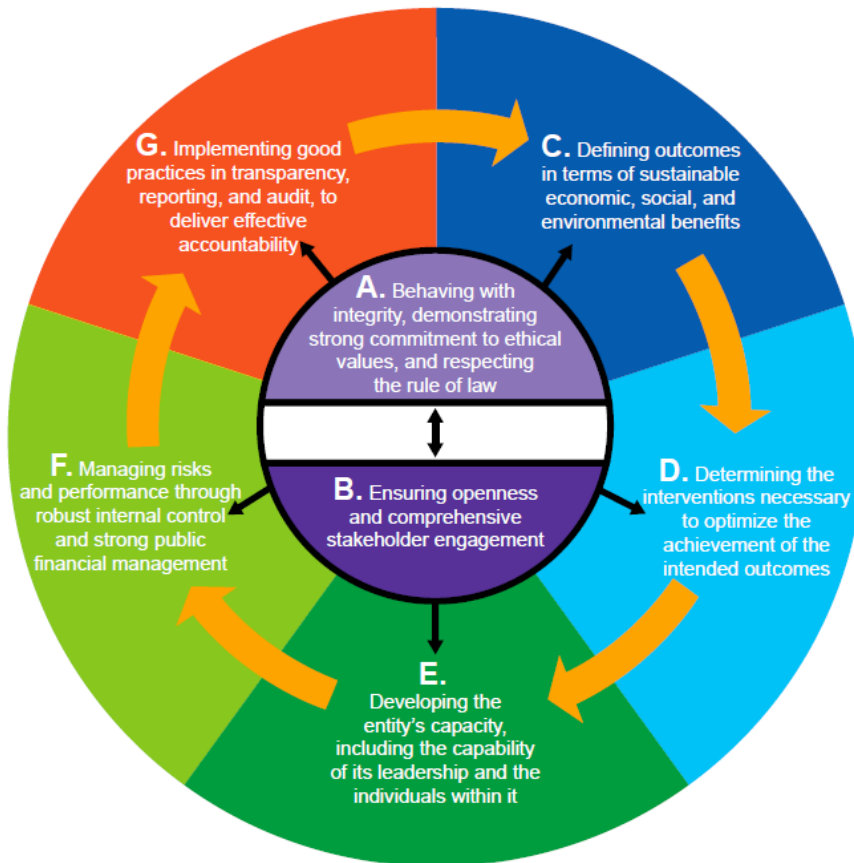
POSITION IN CHERWELL DISTRICT COUNCIL

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

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

Core Principles

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



- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- B. Ensuring openness and comprehensive stakeholder engagement;
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes;
- E. Developing the County Council's capacity, including the capability of its leadership and the individuals within it;
- F. Managing risks and performance through robust internal control and strong public financial management; and
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

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

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

Next Review date: September 2024

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

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

| Principle | Sub Principles | Council Actions and Behaviours |
|---|--|--|
| (A) Behaving with integrity, demonstrating strong Commitment to ethical values, and respecting the rule of law | Behaving with integrity | <ul style="list-style-type: none"> Ensure that Members and Officers behave with integrity and lead a culture where acting in the public interest is visible and consistently demonstrated thereby protecting the reputation of the Council; Ensure that Members take the lead in establishing specific standard operating principles or values for the Council and its staff and that they are communicated and understood. These will build on the Seven Principles of Public Life (The Nolan Principles); Lead by example and use the above standard operating principles or values as a framework for decision making and other actions; and Demonstrate, communicate and embed the standard operating principles or values through appropriate policies and processes which will be reviewed on a regular basis to ensure they are operating effectively. |
| | Demonstrating strong commitment to ethical values | <ul style="list-style-type: none"> Seek to establish, monitor and maintain the Council’s ethical standards and performance; Underpin personal behaviour with ethical values and ensure they permeate all aspects of the Council’s culture and operation; Develop and maintain robust policies and procedures which place emphasis on agreed ethical values; and Ensure that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the Council. |
| | Respecting the Rule of Law | <ul style="list-style-type: none"> Ensure Members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations; Create the conditions to ensure that the statutory officers, other key post holders, and Members are able to fulfil their responsibilities in accordance with legislative and regulatory provisions; Strive to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders; Deal with breaches of legal and regulatory provisions effectively; and Ensure corruption and misuse of power is dealt with effectively. |
| (B) Ensuring openness and comprehensive stakeholder engagement | Openness | <ul style="list-style-type: none"> Ensure an open culture through demonstrating, documenting, and communicating the Council’s commitment to openness; Make decisions that are open about actions, plans, resource use, forecasts, outputs, and outcomes. The presumption will be for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential will be provided; Provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and will be explicit about the criteria, rationale and considerations used. In due course, the Council will ensure that the impact and consequences of those decisions are clear; and Use formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action. |
| | Engaging comprehensively with institutional stakeholders | <ul style="list-style-type: none"> Effectively engage with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably; Develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively; and Ensure that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit. |
| | Engaging stakeholders individual citizens and service users | <ul style="list-style-type: none"> Establish a clear policy on the type of issues that the Council will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes; Ensure that communication methods are effective, and that Members and Officers are clear about their roles with regard to community engagement; Encourage, collect, and evaluate the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs; Implement effective feedback mechanisms in order to demonstrate how their views have been taken into account; Balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity; and Take account of the interests of future generations of taxpayers and service users. |

| Principle | Sub Principles | Council Actions and Behaviours |
|---|---|--|
| (C) Defining outcomes in terms of sustainable economic, social and environmental benefits | Defining outcomes | <ul style="list-style-type: none"> Have a clear vision, which is an agreed formal statement of the Council's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the Council's overall strategy, planning, and other decisions; Specify the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer; Deliver defined outcomes on a sustainable basis within the resources that will be available; Identify and manage risks to the achievement of outcomes; and Manage service users' expectations effectively with regard to determining priorities and making the best use of the resources available. |
| | Sustainable economic, social and environmental benefits | <ul style="list-style-type: none"> Consider and balance the combined economic, social, and environmental impact of policies, plans and decisions when taking decisions about service provision; Take a longer- term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the Council's intended outcomes and short-term factors such as the political cycle or financial constraints; Determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs; and Ensure fair access to services. |
| (D) Determining the interventions necessary to optimise | Determining interventions | <ul style="list-style-type: none"> Ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore, ensuring best value is achieved however services are provided; and Consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts. |
| | Planning interventions | <ul style="list-style-type: none"> Establish and implement robust planning and control cycles that cover strategic and operational plans, priorities and targets; Engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered; Consider and monitor risks facing each partner when working collaboratively including shared risks; Ensure arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances; Establish appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured; Ensure capacity exists to generate the information required to review service quality regularly; Prepare budgets in accordance with organisational objectives, strategies and the medium-term financial plan; and Inform medium and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy. |
| | Optimising intended outcomes | <ul style="list-style-type: none"> Ensure the medium-term financial strategy integrates and balances service priorities, affordability, and other resource constraints; Ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term; Ensure the medium-term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage; and Ensure the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes". |

| Principle | Sub Principles | Council Actions and Behaviours |
|---|---|--|
| (E) Developing the Council's capacity, including the capability of its leadership and the individuals within it | Developing the Council's capacity | <ul style="list-style-type: none"> ▪ Review operations, performance use of assets on a regular basis to ensure their continuing effectiveness; ▪ Improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the Council's resources are allocated so that outcomes are achieved effectively and efficiently; ▪ Recognise the benefits of partnerships and collaborative working where added value can be achieved; and ▪ Develop and maintain an effective workforce plan to enhance the strategic allocation of resources. |
| | Developing the capability of the Council's leadership and other individuals | <ul style="list-style-type: none"> ▪ Develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained; ▪ Publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body; ▪ Ensure the Leader and the Chief Executive have clearly defined and distinctive leadership roles within a structure whereby the Chief Executive leads the Council in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority; ▪ Develop the capabilities of Members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political, and environmental changes and risks by: <ul style="list-style-type: none"> ➢ ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged; ➢ ensuring Members and Officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis; and ➢ ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external. ▪ Ensure that there are structures in place to encourage public participation; ▪ Take steps to consider the leadership's own effectiveness and ensure leaders are open to constructive feedback from peer review and inspections; ▪ Hold staff to account through regular performance reviews which take account of training or development needs; and ▪ Ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing. |
| (F) Managing risks and performance through financial management | Managing Risk | <ul style="list-style-type: none"> ▪ Recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making; ▪ Implement robust and integrated risk management arrangements and ensure that they are working effectively; and ▪ Ensure that responsibilities for managing individual risks are clearly allocated. |
| | Managing Performance | <ul style="list-style-type: none"> ▪ Monitor service delivery effectively including planning, specification, execution and independent post implementation review; ▪ Make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the Council's financial, social and environmental position and outlook; ▪ Ensure an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the Council's performance and that of any organisation for which it is responsible; ▪ Provide Members and senior management with regular reports on service delivery plans and on progress towards outcome achievement; and ▪ Ensure there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements). |
| | Robust internal control | <ul style="list-style-type: none"> ▪ Align the risk management strategy and policies on internal control with achieving objectives; ▪ Evaluate and monitor the Council's risk management and internal control arrangements on a regular basis; ▪ Ensure effective counter fraud and anti-corruption arrangements are in place; ▪ Ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor; ▪ Ensure an Audit and Governance Committee which is independent of the executive and accountable to the Council: <ul style="list-style-type: none"> ➢ provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and ➢ that its recommendations are listened to and acted upon. |

| Principle | Sub Principles | Council Actions and Behaviours |
|---|--|--|
| (F) Managing risks and performance through robust internal control and strong public financial management | Managing Data | <ul style="list-style-type: none"> Ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data; Ensure effective arrangements are in place and operating effectively when sharing data with other bodies; and Review and audit regularly the quality and accuracy of data used in decision making and performance monitoring; |
| | Strong public financial management | <ul style="list-style-type: none"> Ensure financial management supports both long-term achievement of outcomes and short-term financial and operational performance; and Ensure well –developed financial management is integrated at all levels of planning and control, including management of financial risks and controls. |
| (G) Implementing good practices in transparency, accountability | Implementing good practice in transparency | <ul style="list-style-type: none"> Write and communicate reports for the public and other stakeholders in a fair, balanced, and understandable style appropriate to the intended audience ensuring that they are easy to access and interrogate; and Strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand. |
| | Implementing good practices in reporting | <ul style="list-style-type: none"> Report at least annually on performance, value for money and the stewardship of its resources to stakeholders in a timely and understandable way; Ensure Members and senior management own the results; Ensure robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publish the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (Annual Governance Statement); Ensure that the Framework is applied to jointly managed or shared service organisations as appropriate; and Ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations. |
| | Assurance accountability | <ul style="list-style-type: none"> Ensure that recommendations for corrective action made by external audit are acted upon; Ensure an effective internal audit service with direct access to Members is in place which provides assurance with regard to governance arrangements and that recommendations are acted upon; Welcome peer challenge, reviews and inspections from regulatory bodies and implement recommendations; Gain assurance on risks associated with delivering services through third parties and evidence this in the annual governance statement; and Ensure that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met. |

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

| Core Principles | (A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law | (B) Ensuring openness and comprehensive stakeholder engagement | (C) Defining outcomes in terms of sustainable economic, social, and environmental benefits | (D) Determining the interventions necessary to optimise the achievement of the intended outcomes | (E) Developing the Council’s capacity, including the capability of its leadership and the individuals within it | (F) Managing risks and performance through robust internal control and strong public financial management | (G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability |
|-----------------------------|---|---|---|--|---|--|---|
| Evidence of Good Governance | The Constitution | Cherwell District Council Website records all council | Executive Reports | Business Plan 2022/23 | The Constitution | The Constitution Financial Procedure Rules | Accounts Audit and Risk Committee (AARC) |
| | Schemes of Delegation / Decision making protocols | Decision Making Protocols Forward Plan of Executive/Key Decisions | Business Plan 2022-2023 | Annual Budget and Corporate Planning process | Protocol on Members’ Rights and Responsibilities Constitution – Opposition rights | Accounts, Audit and Risk Committee Annual Internal Audit Strategy Annual Statement of Accounts & Plan | AARC Terms of Reference |
| | Accounts Audit and Risk Committee | Updated Corporate Complaints Procedure | Scrutiny Committees | Stakeholder Engagement | Member Induction/Development Programme | Overview & Scrutiny Committee and working groups | Scrutiny Committees |
| | Scrutiny Committee | Scrutiny Committee Work Programmes Health Overview and Scrutiny Committees | Local Plan consultation | Business Cases including options appraisals | Organisational Development Programme | Pension Fund Committee / Pensions Benefit Sub Joint performance, risk and finance reports. | Decision Making Protocols |
| | Contract Procedure Rules/ Financial Procedure Rules Financial Regulations | Public Meetings | Procurement & Social Value Policy | Local Resilience Forum | Chief Executive Appraisal process Leadership Development | Annual Governance Statement Chief Internal Auditor Annual Report Internal Audit Plan – AARC | External audit of accounts and VFM opinion Annual Statement of Accounts |
| | Statutory Officer roles: Head of Paid Service (Chief executive), S151 Officer, Monitoring Officer. Chief Internal Auditor | Annual Budget Consultation | Business Cases including option appraisals to support decision making | Monthly Performance Risk and Finance Reporting | Continuing Professional Development (CPD) | External audit of accounts and VFM opinion/ statement of accounts/ medium term financial strategy | Annual Governance Statement Corporate Governance Assurance Framework |
| | Members’ and Officers’ Codes of Conduct Member/Officer Induction Programme Members’/Officers’ Register of Interest | Co-production programme | Business and Budget Planning process including Service Plans | Medium Term Financial Strategy | Health and Safety Governance Framework and policies | Risk & Opportunities Management Strategy Risk Management Framework Risk Based Internal Auditing Service / planning | Chief Internal Auditors Annual Opinion / Report |
| | Values “Team Cherwell” launch | Annual Residents Satisfaction Survey | Transparency Code | Procurement & Social Value Policy | Benchmarking | Leadership Risk Register | Internal Audit Service (via OCC) |
| | LGA Model Code of Member conduct | Published Annual Statement of Accounts, Annual Governance Statement | Equality Diversity and Inclusion Framework, Equality & Climate Impact Assessments, Climate Action Framework | Corporate Peer Review recommendations and implementation | Local Government Association Peer Review Internally led reviews / independent challenge | Counter Fraud, Strategy / Anti-Bribery and Anti Money Laundering Policies Business Continuity Plans Contingency Planning Local Resilience Forum | Monthly Performance Risk and Finance Reporting |
| | Protocol on Member Officer relations | Monthly performance risk and finance reporting | Framework Risk & Opportunities Management Strategy, Risk Registers | Service Plans | External Reviews | Monthly Performance risk and finance reporting, Annual Budget and Corporate Planning process | Committee reports containing clear sections on implications, including consultation and risk management |
| | Counter Fraud Strategy Anti-Bribery and Anti Money Laundering Policies | Transparency Code | | Decision Making Protocols | Budget Operations Group | Internal Audit Strategy | Implemented the outcome of the Redmond Review independent persons on the AARC. |
| Whistleblowing Policy | | | Business Continuity Plans Contingency Planning Local Resilience Forum | Wellbeing advice Employee assistance programme | Monthly Performance, Risk and Financial Reports | | |

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Cherwell District Council

Accounts, Audit and Risk Committee

15 November 2023

Financial Management Code – Forecast Self-Assessment Update

Report of the Assistant Director of Finance S151

This report is public.

Purpose of report

To update the Committee that the results of the Council's forecast self-assessment position at February 2024 against the requirements of CIPFA's Financial Management Code is continued strong compliance, demonstrating a resilient and sustainable approach to managing the Council's funds.

1.0 Recommendations

The meeting is recommended to:

- 1.1 Note the Council's forecast self-assessment position at February 2024 against the requirements of CIPFA's Financial Management Code

2.0 Introduction

- 2.1 The Financial Management (FM) Code was introduced by the Chartered Institute of Public Finance and Accountancy in 2019 in the context of increasing concerns about the financial resilience and sustainability of local government. The FM Code clarifies how Chief Finance Officers should satisfy their responsibility for good financial administration as required in Section 151 of the Local Government Act 1972. The Council has complied with the code since its inception and has continued to make improvements year on year.

3.0 Report Details

- 3.1 As part of setting the Council's budget each year the Section 151 Officer must prepare a Section 25 Statement to consider the robustness of the budget and the Council's finances. The February 2023 S25 assessment included an opinion of how the Council complied with the FM Code; the conclusion was that the Council was in a good position to continue to comply with all areas of the FM Code with planned additional enhancements.
- 3.2 Since the self-assessment was last updated in October 2022, the Council's external auditors have yet to prepare their Value for Money assessment as part of the audit of the 2021/22 accounts. When complete in the coming months, this will

significantly bolster Section 1A of the CIPFA self-assessment as the auditor's conclusion is expected to once again be that the Council does provide value for money.

- 3.3 Section 2 of the self-assessment relates to Governance and Financial Management Style. The evidence for compliance with this section has relied upon the existence of the Corporate Oversight & Governance Group (COGG). COGG was formed following the decoupling from Oxfordshire County Council and it ensures continued good governance and internal control, including driving the production of the Annual Governance Statement (AGS) and monitoring against the Action Plan.
- 3.5 Section 3 of the self-assessment relates to Long to Medium-Term Financial Management. Since the last self-assessment, the Council has introduced additional Prudential Indicators to its quarterly Treasury Management reports. The Council continues to maintain a 5-year Medium Term Financial Strategy (MTFS) which is regularly reported to the Executive.
- 3.6 Section 6 of the self-assessment relates to Monitoring Financial Performance and actions have been taken since February 2023 to enhance the capital reporting and regular reporting of aged debt.
- 3.6 The Council considers that it will continue to fully comply with all aspects of the FM Code which will be reflected in the assessment when setting the budget in February 2024. The Council will always drive continuous improvement and look for ways to improve. Some of these are identified in the Council's self-assessment at Appendix 1.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The Council considers that it will continue to be fully compliant with all aspects of the FM Code when the budget is set in February 2024. This demonstrates to members, residents and other stakeholders that Cherwell continues to act in a resilient and sustainable manner.

5.0 Consultation

None required.

6.0 Alternative Options and Reasons for Rejection

- 6.1 There are no alternative options.

7.0 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

Legal Implications

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

Comments checked by:
Shahin Ismail, Law & Governance, Interim Head of Legal Services
shahin.ismail@cherwell-dc.gov.uk

Risk Implications

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

Comments checked by:
Celia Prado-Teeling, Performance and Insight Team Leader
01295 221556, celia.prado-teeling@cherwell-dc.gov.uk

Equalities and Inclusion Implications

7.4 There are no equalities implications arising directly from this report.

Comments checked by:
Celia Prado-Teeling, Performance and Insight Team Leader
01295 221556, celia.prado-teeling@cherwell-dc.gov.uk

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

Lead Councillor

N/A

Document Information

Appendix number and title

- Appendix 1 – FM Code Self-Assessment 2023-24

Background papers

None

Report Author and contact details

Joanne Kaye, Head of Finance, 01295 221545, joanne.kaye@cherwell-dc.gov.uk

Appendix 1 – Summary Financial Management Code Assessment

| Ref | CIPFA Financial Management Standards | Current Status | Further Work | Status |
|---|---|--|--|--------|
| 1. Responsibilities of the CFO and Leadership Team | | | | |
| A | The leadership team is able to demonstrate that the services provided by the authority provide value for money | All services are reviewed to ensure they are being delivered efficiently and appropriate savings are identified. All tenders consider VfM by considering the quality of service and not just the price. | Develop a statement of how proposals in Executive Reports will deliver value for money where appropriate | |
| B | The authority complies with the CIPFA “Statement of the Role of the CFO in Local Government” | The CFO is a qualified accountant with significant experience working as an active member of the leadership team. The CFO is a member of CLT (Corporate Leadership Team) and has an influential role with members of the Executive, Accounts, Audit & Risk Committee and lead opposition members. | Review annually the statement of roles and responsibilities of CFO, CLT and the Exec. | |
| Governance and Financial Management Style | | | | |
| | The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control | The Corporate Oversight & Governance Group (COGG) was set up to ensure good governance and internal control, including driving the production of the Annual Governance Statement (AGS) and Action Plan through the completion of Professional Lead Statements and engagement with Corporate Directors. | Continue to enhance and develop the role of COGG. | |
| D | The authority applies the CIPFA/SOLACE “Delivering Good Governance in Local Government: Framework (2016)” | Annual Governance Statement includes audit opinion on effectiveness of internal control environment and systems of internal control. | Continue to enhance and develop the AGS through CLT. | |
| E | The Financial Management style of the authority supports financial sustainability | The Council has moved from a Budget Monitoring approach to Budget Management which is an active approach designed not just to report variances but to develop mitigations in order to manage the in-year variance corporately. . | Continue to challenge budget managers to explore options for mitigating budget variances to ensure financial sustainability. Reporting to AARC will be enhanced to include regular | |

| Ref | CIPFA Financial Management Standards | Current Status | Further Work | Status |
|--|---|--|---|--|
| | | | reports on FOI, data subject access requests, and EIR requests, to give visibility and assurance on regulatory compliance | |
| 3. Long to Medium-Term Financial Management | | | | |
| F | The authority has carried out a credible and transparent financial resilience assessment | A Financial Resilience assessment is included within the Budget Documents. The assessment is consistent with the Medium-Term Financial Strategy (MTFS) assumptions. | | |
| G | The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members | MTFS transparently outlined the financial challenges facing CDC in the Budget and Business Planning Process 2023/24 – 2027/28 Report. | Continue to update CLT and the Executive throughout the year and within Budget/MTFS documents. | |
| Page 78 | The authority complies with the CIPFA “Prudential Code for Capital Finance in Local Authorities” | A Capital Strategy is produced annually. Quarterly Treasury Management monitoring considered at the Accounts, Audit and Risk Committee. A profiled five-year capital programme was approved by Council in Feb 2023 and is managed monthly and reported to the Executive. | The quarterly TM reports now contain updates on more Prudential Indicators but this can still be expanded. | |
| | I | The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans | CDC has an Integrated Business Planning and Budget Process with a five-year MTFS. | Continue to ensure services are aware of future savings plans committed to and savings are implemented. Encourage ‘early alert’ if future savings are at risk. |
| 4. The Annual Budget | | | | |
| J | The authority complies with its statutory obligations in respect of the budget setting process | The Council produces its annual balanced budget and supporting documentation. | | |
| K | The budget report includes a statement by the CFO on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves | S25 report accompanies the suite of Budget documents. Enhanced by including an assessment compliance with the FM Code | | |

| Ref | CIPFA Financial Management Standards | Current Status | Further Work | Status |
|---|--|---|---|--------|
| 5. Stakeholder Engagement and Business Plans | | | | |
| L | The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget | Significant consultation on the budget proposals as well as ensuring we carry out the statutory business rate payers' consultation. | Continue with corporate and directorate consultation where appropriate. | |
| M | The authority uses an appropriate documented options appraisal methodology to demonstrate the value for money of its decisions | A gateway process which includes a standardised business case is required for all capital schemes which sets out alternative options, the reasons for discounting them and benefits of progressing with the scheme. All tenders consider VfM by considering the quality of service and not just price – the appraisal process is documented. The Strategic Place Shaping Programme Board and the Transformation Board are responsible for overseeing the Gateway process for evaluation of projects which considers factors such as vfm, business need and recommend to the Strategic Board who in turn recommend to Members. | Continue to embed Gateway process and refine business case templates from outline through to full for both revenue and capital schemes for all strategic boards. | |
| 6. Monitoring Financial Performance | | | | |
| N | The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability | The monthly Performance, Risk and Finance Report to Executive enables CLT and Executive to respond to emerging. Enhancements to capital reporting have been introduced to now include analysis of variances to the total cost of the scheme rather than comparison to in-year profiled budget. All capital schemes are now monitored by either a strategic board (for place shaping or transformational schemes) or by the appropriate DLT (for BAU schemes). | The Capital Programme monitoring element requires enhancement to: <ul style="list-style-type: none"> • better reflect performance and the delivery of outcomes linked to the completion of capital schemes. • Better understand the drivers of budget reprofiling | |

| Ref | CIPFA Financial Management Standards | Current Status | Further Work | Status |
|--|--|---|---|--------|
| O | The Leadership Team monitors the elements of its balance sheet that pose a significant risk to financial sustainability | Reserves and balances are monitored monthly and changes in budgeted use require appropriate approvals before they can be assumed. Debtor monitoring takes place monthly, identifying and analysing aged debt. Regular review and management of aged debt has resulted in either recovery or unrecoverable debts being written off in a more timely manner. | Continue to enhance reporting of aged debt to enable budget managers to effectively manage their aged debt. | |
| 7. External Financial Reporting | | | | |
| P | The CFO has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom" | The annual accounts are produced in compliance with the CIPFA Code. | | |
| | The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions | CLT and Executive consider the outturn report and year end variances enabling strategic financial decisions to be made as necessary. | | |

Accounts, Audit and Risk Committee Work Programme 2023/24

| Date | Agenda Items |
|------------------|--|
| 17-Jan-24 | Internal Audit Progress Update External Audit slot AGS 2022/23 Actions Update Housing Benefit Subsidy Audit 2020/21 Treasury Management Q3 Draft Capital and Investment Strategy and Draft Treasury Management Strategy 2024/25 2022/23 External Audit Plan Work Programme Update |
| 20-Mar-24 | Counter Fraud Update External Audit slot Annual Report of AARC Performance, Finance and Risk Monitoring Report - Q3 Housing Benefit Subsidy Audit Housing Benefit Risk Based Verification Policy Work Programme Update |

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