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Agenda

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A MEETING OF THE

Joint Audit and Governance Committee

WILL BE HELD ON TUESDAY 26 JANUARY 2021 AT 6.30 PM

THIS WILL BE A VIRTUAL, ONLINE MEETING.

Members of the Committee:

South Oxfordshire District Council
Mocky Khan (Co-Chair)
Peter Dragonetti
George Levy
Jane Murphy

Vale of White Horse District Council
Andy Foulsham (Co-Chair)
Amos Duveen
Simon Howell
Mike Pighills

Preferred Substitutes:

South Oxfordshire District Council
David Bartholomew
Sam Casey-Rerhaye
Victoria Haval
Axel Macdonald
Jo Robb
Alan Thompson
Ian White
Celia Wilson

Vale of White Horse District Council
Nathan Boyd
Andy Cooke
Eric de la Harpe
Alison Jenner
Janet Shelley
Elaine Ware

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1 Apologies for absence

To record apologies for absence and the attendance of substitute members.

2 Minutes (Pages 4 - 7)

To adopt and sign as a correct record the Joint Audit and Governance Committee minutes of the meeting held on 26 November 2020.

3 Declarations of interest

To receive any declarations of disclosable pecuniary interests in respect of items on the agenda for this meeting.

4 Urgent business and chair's announcements

To receive notification of any matters which the chair determines should be considered as urgent business and the special circumstances which have made the matters urgent, and to receive any announcements from the chair.

5 Public participation

To receive any questions or statements from members of the public that have registered to speak.

6 Internal audit activity report quarter 3 2020/21 (Pages 8 - 36)

To consider the interim internal audit manager's report.

7 Internal audit management report quarter 3 2020/21 (Pages 37 - 43)

To consider the interim internal audit manager's report.

8 Revised internal audit sampling approach (Pages 44 - 47)

To consider the interim internal audit manager's report.

9 Internal Audit - Progress Report - Grounds Maintenance In-Sourcing (Pages 48 - 51)

To consider the interim internal audit manager's report.

10 Corporate risk review (Pages 52 - 88)

To consider the interim head of corporate services' report.

11 Health and safety progress review (Pages 89 - 112)

To consider the interim head of corporate services' report.

12 Statement of accounts 2019/20

To receive a verbal update from the interim head of finance.

13 Treasury management and investment strategy 2021/22 - South (Pages 113 - 152)

To consider the interim head of finance's report.

14 Treasury management and investment strategy 2021/22 - Vale (Pages 153 - 191)

To consider the interim head of finance's report.

15 Work programme (Pages 192 - 194)

To review the committee's work programme.

MARGARET REED

Head of Legal and Democratic

Minutes

OF A MEETING OF THE

Joint Audit and Governance Committee

HELD ON THURSDAY 26 NOVEMBER 2020 AT 6.30 PM
THIS WILL BE A VIRTUAL, ONLINE MEETING.

Present
Members:
South Oxfordshire District Councillors: Mocky Khan (Co-chair), Peter Dragonetti, George Levy and Jane Murphy
Vale of White Horse District Councillors: Andy Foulsham (Co-chair – in the Chair), Simon Howell and Mike Pighills

Officers
Steve Culliford, Victoria Dorman-Smith, Simon Hewings and Jeremy Lloyd

Also present:
Malcolm Haines and Kevin Suter from the external auditor, EY

Observers:
Councillors Sue Cooper, Leigh Rawlins and Anne-Marie Simpson (all South Oxfordshire District Council), and Andy Crawford (Vale of White Horse District Council)

29 Apologies for absence

None

30 Minutes

RESOLVED: to adopt as a correct record the minutes of the committee meeting held on 22 September 2020 and agree that the co-chair signs them as such.

31 Declarations of interest

None

32 Urgent business and chair's announcements

The chair announced that the review of the sampling methodology used in the housing benefit and council tax reduction scheme 2019/20 audit would be brought back to the next committee meeting in the internal audit report.

The chair also announced that the statement of accounts for 2018/19 had been signed off. The external audit of the 2019/20 accounts would commence in January and be brought to the committee in March 2021.

33 Public participation

None

34 External auditor's annual audit letter 2018/19

Kevin Suter of EY, the councils' external auditor, presented the annual audit letter for 2018/19. This gave an unqualified opinion of the councils' financial statements; the statements gave a true and fair view of the financial position of the councils as at 31 March 2019 and of the expenditure and income for the year. The audit letter concluded that the councils had put in place proper arrangements to secure economy, efficiency and effectiveness and had secured value for money in the use of resources. There were no exception reports. The audit had been completed on 23 October 2020, delayed this year by the Covid-19 pandemic.

The committee welcomed the report and thanked the external auditor.

RESOLVED: to note the external auditor's annual audit letter 2018/19.

35 Treasury management mid-year monitoring report 2020/21

The committee considered the report of the interim head of finance. This set out a review of the treasury management performance at the mid-point of the 2020/21 financial year. The report projected that South Oxfordshire could be marginally under budget at the year end, whereas as the Vale of White Horse could be slightly above. The differences were minor, resulting from the types of investments and their maturity dates. The returns had been achieved within the counterparty limits and the prudential indicators set out in the treasury management strategy 2020/21.

The report also discussed the possible scenario of negative interest rates and their effect on the council's treasury management performance. In such a scenario, the councils' income would likely fall. This might require the council to seek longer term investments at higher interest rates and to increase its use of notice accounts. A reduction in investment income would have to be reflected in the medium term financial plans. Officers would monitor the situation closely.

The committee welcomed the report.

RESOLVED: to

(a) note the treasury management mid-year monitoring report 2020/21; and

(b) advise Cabinet that the committee is satisfied that the treasury activities are being carried out in accordance with the treasury management strategy and policy.

36 Redmond review of local authority financial reporting and audit

The committee considered the report of the interim head of finance. This set out the key findings and recommendations of the independent Redmond review into the effectiveness of local government financial reporting and external audit.

The key findings from the review included:

- there was an ineffective balance between price and quality, with 40 per cent of external audits in 2018/19 failing to meet required reporting deadlines in part due to under-resourcing and lack of experienced staff
- a lack of co-ordination and regulation of external audit activity
- outcomes not always being effectively considered and presented to local authorities and the public
- the technical complexity of statutory accounts limiting public understanding and scrutiny

The recommendations arising from the review would be considered by relevant bodies. Assuming the recommendations were implemented, the key implications for the councils included:

- a likely increase in audit fees to enable local audit requirements to be fulfilled effectively
- a requirement for the external auditor to present an annual report directly to full Council
- the appointment of at least one suitably qualified independent member to the audit committee
- an additional requirement to produce a standardised statement of service information and costs
- a revised timetable, with a change in the reporting deadline from 31 July to 30 September

Some recommendations would require primary legislation. It was expected this could be in place for the audit of the 2021/22 accounts. The review had also recommended that for 2020/21, the new standardised financial statement of service information and costs was produced on a trial basis, with full implementation as an audited statement in 2021/22.

The committee noted the review outcome with interest and the possible changes this could bring. The external auditor, on being asked for an opinion, also welcomed the review outcome.

Councillors requested that officers conduct training for committee members on their role in signing off the statement of accounts and on how to make the best use of internal audit reports.

RESOLVED: to

(a) note the report on the Redmond review of local authority financial reporting and external audit; and

(b) request officers to conduct training for committee members on their role in signing off the statement of accounts and on how to make the best use of internal audit reports.

37 Work programme

The committee reviewed and updated its work programme.

The meeting closed at 7.22 pm

Chair Date

Joint Audit and Governance Committee

Report of Interim Internal Audit Manager

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To: Joint Audit and Governance Committee

DATE: 26 January 2021

Internal audit activity report quarter three 2020/21

Recommendation

That members note the content of the report

Purpose of report

1. The purpose of this report is to summarise the outcomes of recent internal audit activity at both councils for the committee to consider. The committee is asked to review the report and the main issues arising and seek assurance that action will be/has been taken where necessary.

2. The contact officer for this report is Richard Green Interim Internal Audit Manager for South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC), telephone 07849 574860.

Strategic objectives

3. Delivery of an effective internal audit function will support the councils in meeting their strategic objectives.

Background

4. Internal audit is an independent assurance function that primarily provides an objective opinion on the degree to which the internal control environment supports and promotes the achievements of the council's objectives. It assists the councils by evaluating the adequacy of governance, risk management, controls and use of resources through its planned audit work and recommending improvements where necessary. After each audit assignment, internal audit has a duty to report to management its findings on the control environment and risk exposure and recommend changes for improvements where applicable. Managers are responsible for considering audit reports and taking the appropriate action to address control weaknesses.

5. Assurance ratings given by internal audit indicate the following:

   Full assurance: There is a good system of internal control designed to meet the system objectives and the controls are being consistently applied.

   Substantial assurance: There is a sound system of internal control designed to meet the system objectives and the controls are being applied.

   Satisfactory assurance: There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

   Limited assurance: There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

   Nil assurance: Control is weak leaving the system open to significant error or abuse and/or there is significant non-compliance with basic controls.

6. Each recommendation is given one of the following risk ratings:

   High Risk: Fundamental control weakness for senior management action

   Medium Risk: Other control weakness for local management action

   Low Risk: Recommended best practice to improve overall control

Completed audit reports

7. As at 07 January 2021, since the last joint audit and governance committee meeting the following audits and follow up reviews have been completed:

   Completed Audits: 7
   Full Assurance: 0
   Substantial Assurance: 0

Satisfactory Assurance: 5
Limited Assurance: 2
Nil Assurance: 0

Audit Area	Assurance Rating	Total Recs	High Risk	No. Agreed	Medium Risk	No. Agreed	Low Risk	No. Agreed
Joint								
1. Information Security 19/20 (**appendix 1**)	Limited*	**7**	5	5	2	2	0	0
2. Housing Benefits & CTRS 19/20 – updated** (**appendix 1**)	Limited	**3**	1	1	0	0	2	2
3. Data Protection / GDPR 19/20	Satisfactory	**8**	0	0	3	3	5	5
4. Procurement 19/20	Satisfactory	**4**	0	0	2	2	2	2
5. Lone Working & Officer Security 19/20	Satisfactory	**12**	0	0	4	4	8	8
6. General Ledger 19/20	Satisfactory	**10**	0	0	4	4	6	6
7. HR Management & Reporting 20/21	Satisfactory	**12**			8	8	4	4
SODC								
None								
VWHDC								
None								

** Under normal circumstances, Capita would be invited to the JAGC to discuss any limited assurance audit reports for Capita service offerings. However, Capita are not in attendance at this virtual meeting. The interim internal audit manager will take away any questions the committee may have for Capita and will obtain responses in due course.*

*** At the 22 September 2020 JAGC meeting, members raised several questions in relation to recommendation 3, review of overpayments. The recommendation wording has been updated in response to these questions and is presented at this committee meeting for information purposes only.*

8. The work on the Covid 19 Response Governance Review was started at the end of November and the Terms of Reference and Objectives have been agreed. The work has commenced but is still at an early stage and there are no significant findings to report at this time.

Follow Up Reviews

Audit Area	Initial Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing	No longer applicable
Joint							
Development Management 19/20	Satisfactory	8	4	3	1	0	0
Elections & Election Payments 19/20	Limited	5	5	0	0	0	0
SODC							
None							
VWHDC							
None							

9. **Appendix 1** of this report sets out the key points and findings relating to the completed audits which have received limited or nil assurance, and satisfactory or full assurance reports which members have asked to be presented to committee.

10. Members of the committee are asked to seek assurance from the internal audit reports and/or respective managers that the agreed actions have been or will be undertaken where necessary.

11. A copy of each report has been sent to the appropriate service manager, the section 151 officer and the relevant member portfolio holder. In addition, reports are now published on the councils' intranet and limited assurance reports are reviewed by the strategic management team.

12. Internal audit continues to carry out a six month follow up on all non-key financial audits to establish the implementation status of agreed recommendations. All key financial system recommendations are followed up as part of the annual assurance cycle.

Financial implications

13. There are no financial implications attached to this report.

Legal implications

14. None.

Risks

15. Identification of risk is an integral part of all audits.

Richard Green
INTERIM INTERNAL AUDIT MANAGER

APPENDIX 1

1. Information Security 2019/20

MANAGEMENT SUMMARY

1. INTRODUCTION

1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to information security. The audit has been undertaken in accordance with the 2019/2020 audit plan agreed with the joint audit and governance committee of South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC). The audit has a priority score of 21. The audit approach is provided in the audit framework in Appendix 1.

1.2 The following areas have been covered during the course of this review to provide assurance that:

- the councils have an adequate information/cyber security framework, policies, procedures and guidance in place;
- there are adequate controls in place for accessing and sharing information with other service areas, contractors and partners;
- council officers and members are aware of cyber and information security principles and policies;
- appropriate controls to prevent data loss and unauthorised access are in place;
- robust procedures are in place in the event of a cyber/information security incident and are regularly tested;
- key learning points and recommended actions from the recent corporate fraud and cyber security risk assessment have been addressed.

2. BACKGROUND

2.1 Information security refers to the processes and methodologies which are designed and implemented to protect print, electronic, or any other form of confidential, private and sensitive information or data from unauthorised access, use, misuse, disclosure, destruction, modification, or disruption.

2.2 Cyber security is the practice of defending computers, servers, mobile devices, electronic systems, networks and data from malicious attacks.

2.3 The councils have a statutory duty under the following legislations and associated regulations in relation to the use, storing and handling of information:

- GDPR 2018;
- Data Protection Act 1998;
- Freedom of Information Act 2000;
- ENISA (the European Union Agency for Cybersecurity) and information and communications technology cybersecurity certification and repealing Regulations 2019;

- Privacy and Electronic Communications Regulations 2003;
- Regularly of Investigatory Powers Act 2000;
- Copyright, Designs and Patents Act 1988;
- Computer Misuse Act 1990;
- Human Rights Act 1998;
- Counter-Terrorism and Security Act 2015;
- Protection of Children Act 1978;
- Criminal Justice and Immigration Act 2008;
- Defamation Act 2013;
- Equality Act 2010.
- Terrorism Act 2006;
- Limitation Act 1980;
- Official Secrets Act 1989;
- Malicious Communications Act 1988;
- Digital Economy Act 2010;
- Privacy and Electronic Communications Regulations 2011;
- Police and Justice Act 2006;
- Obscene Publication Act 1964;
- Police and Criminal Evidence Act 1984;
- Prevention of Terrorism Act 2005.

3. PREVIOUS AUDIT REPORTS

3.1 Information security has not previously been subject to an internal audit review. However, a corporate fraud and cyber security risk assessment was undertaken in March 2019 and reported to the Joint Audit and Governance Committee in October 2019. 19 recommendations were made, of which nine recommendations related to cyber security. Of the nine recommendations, four were high risk, two medium risk, one low risk and two very low risk recommendations.

3.2 Of the nine recommendations, five have not been implemented and five recommendations are no longer applicable. Of the four recommendations, three have been superseded by recommendations raised in this audit and one recommendation has been restated as a result of our work in this area (Rec 5).

4. 2019/2020 AUDIT ASSURANCE

4.1 **Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

4.2 Seven recommendations have been raised in this review. Four high risk, one medium risk and two low risk.

5. MAIN FINDINGS

5.1 Framework, policies and procedures

5.1.1 As part of the five councils' partnership (5CP), cyber security is managed by Capita and a service delivery plan (SDP) is in place outlining the service that will be provided. A 5CP client relationship team is in place to ensure that an acceptable level of service is provided by Capita to the councils. A security working group is in place, which meet on a monthly basis. The group consists of Capita IT and representatives from each of the five councils and any IT security breaches are discussed.

5.1.2 The councils' do not have in place an information/cyber security strategy. Capita IT have in place cyber security policies and procedures, covering a range of topics; however, these are only available to Capita IT and not council staff. The councils' intranet (Jarvis) publishes limited cyber security information for officers, including how officers can remain vigilant to cyber security risks.

5.1.4 Area assurance: Limited
Two recommendations have been made as a result of our work in this area (Recs 1 and 2).

5.2 **Accessing and sharing information**

5.2.1 Access to the councils' network is restricted to council staff, fixed term contract (FTC) staff and relevant Capita staff. Staff have access to network drives specific to their service area. If access is required for another service area's network drive, approval is required from the officer's service manager prior to authorisation by Capita IT.

5.2.2 Section IT406 of the Capita' SDP states that Capita shall establish and enforce good practice to protect personal data from being sent insecurely and incorrectly. Sensitive/confidential information is commonly transferred between service areas via email. Prior to payroll and HR coming back in-house (effective 1 April 2020), Capita previously sent payroll reports to the councils via secure email, which required a password. Currently, it was confirmed that the payroll files are emailed internally without encryption. Testing also found that sensitive/confidential information from a council email account to a personal email account could be sent. In addition, we were successful in uploading this information directly to a personal email account whilst on the councils' network.

5.2.4 Area assurance: Limited
One recommendation has been made as a result of our work in this area (Rec 3).

5.3 **Cyber and information security awareness**

5.3.1 Cyber security awareness guidance is available to both officers and councillors via the councils' intranet (Jarvis). Guidance includes, password management, using of public WIFI, and awareness scamming and ransoms. Councillors, as part of their induction, following the local elections in May 2019, were also provided with an IT guide. From review the IT guide, internal audit was satisfied that sufficient guidance is available to councillors.

5.3.2 The councils, however, have not provided officers with information/cyber security awareness sessions/ training. As part of induction, councillors are provided IT training; however, review of the training presentation found that the presentation did not include any information on cyber security awareness.

5.3.4 Area assurance: Substantial

One recommendation has been made as a result of our work in this area (Rec 4).

5.4 **Data loss and unauthorised access**

5.4.1 Access to the councils' network is restricted to council employees and contractors. For new employees, leavers and contractors, a request form must be completed and submitted to Capita helpdesk to either obtain or revoke network access. Capita has in place a joiners, movers and leavers IT process reference guide, which sufficiently details the process to be undertaken to ensure that only authorised personnel obtain access to network and to certain drives. It is noted that access control to systems that hold sensitive information, i.e. ResourceLink, Agresso, etc. is not reviewed as part of this audit as they are reviewed as part of the payroll, general ledgers and pro-active anti-fraud audit reviews. No issues were raised during both the payroll and general ledger audits, however during the pro-active anti-fraud review issues were raised in relation to user access.

5.4.2 As mentioned in objective three, limited cyber security guidance is available on Jarvis. One area of guidance relates to workstations and passwords, which states to lock the workstation every time left unattended. For three days, over a two-week period, internal audit and the assurance team leader undertook a walk around the Milton Park office and found that 39 (13 per day) workstations were unlocked when unattended, increasing the risk of unauthorised personnel viewing sensitive information.

5.4.3 Area assurance: Satisfactory
Two recommendations have been made as a result of our work in this area (Recs 5 and 6).

5.5 **Cyber and information security incidents**

5.5.1 Cyber security incident is a breach of a system's security policy in order to affect its integrity or availability and/or the unauthorised access or attempted access to a system or systems. Capita IT has in place procedures detailing the process for reporting cyber/information security incidents, which has been agreed by the five councils. However, the procedures have not been made available to council officers. Cyber security incidents are recorded and discussed during the security working group, between Capita IT and representatives from the councils.

5.5.2 The councils currently do not have a disaster recovery plan in place in the event of a cyber/ information security incident. It is noted that Capita IT have a generic plan, which was rejected by the councils as it did not fulfil the councils' requirements. The Local Government Association (LGA) require local government to have an in-house cyber security expert, and in February 2020, offered both SODC and VWHDC funding to train a member of staff.

5.5.3 Area assurance: Limited
One recommendation has been made as a result of our work in this area (Rec 7).

6. ACKNOWLEDGEMENTS

6.1 Internal audit would like to take this opportunity to thank all staff involved for their assistance with the audit.

7. CATEGORISATION OF RECOMMENDATIONS

7.1 To assist management in using our reports, we have categorised our recommendations according to their level of priority as follows:

High risk	Fundamental control weakness for senior management action	**Recs 1, 3, 4, 6 and 7**
Medium risk	Other control weakness for local management action	**Recs 2 and 5**
Low risk	Recommended best practice to improve overall control	

OBSERVATIONS AND RECOMMENDATIONS

FRAMEWORK, POLICIES AND PROCEDURES

1. Cyber security strategy **(High Risk)**

Rationale	Recommendation	Responsibility
Best Practice A cyber security strategy in place, which documents a plan of actions designed to improve the councils' approach and resilience to infrastructure and services and establishes a range of objectives and priorities that should be achieved in a specific timeframe. Findings The councils do not have a cyber security strategy in place. The strategy is a plan of actions designed to improve the security and resilience of the councils' infrastructures and services. It is a high-level top-down approach to cyber security that establishes a range of objectives and priorities that should be achieved in a specific timeframe. Risk If a cyber security strategy is not in place, there is a risk of security not being managed appropriately	a) Develop a cyber security strategy and obtain approval in line with the councils' Constitution. b) Communicate the approved cyber security strategy to council officers and Capita IT.	Interim IT Programmes Manager

resulting in possible breaches to the councils' network.		
Management Response		**Implementation Due Date**
Recommendation is **Agreed in Principle** There is a dependency on aligning with the Capita 5CP cyber security strategy which will impact the councils' ability to devise their own strategy. Management response: Interim IT Programmes Manager		31 July 2021

2. Jarvis information (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice The cyber security page, on the intranet (Jarvis), provides the relevant details required to ensure officers are cyber aware. Jarvis also has attached cyber security policies and procedures. Findings Capita IT has cyber security policies and procedures in place; however, from review of Jarvis, internal audit found that the policies and procedures are not available to council officers. Internal audit reviewed the 'Be Cyber Secure' page on Jarvis and found that information in relation to the requirement to not send council information to personal emails was not included. Risk If cyber security policies and procedures are not widely available, officers may lack awareness of their individual responsibilities and requirements to stay cyber safe, which may increase the risk of a network breach.	a) Obtain copies of the Capita cyber security policies and procedures and communicate to council staff via the councils' intranet (Jarvis). b) Review and update information published on the councils' intranet (Jarvis) to document the risks of sending council information to personal emails/devices.	Interim IT Programmes Manager
Management Response		**Implementation Due Date**
Recommendation is **Agreed** Ensure regular review of all policies via Capita data security team and upload on to Jarvis. Re-establish cyber awareness campaign. Additional modules for LEAH are being added to provide cyber-security training for staff. Management response: Interim IT Programmes Manager		31 March 2021

ACCESSING AND SHARING INFORMATION

3. Network firewall (High Risk)

Rationale	Recommendation	Responsibility
Best Practice The network firewall is secure, so that sensitive/confidential information cannot be uploaded onto or sent to personal email accounts. Findings IT security service specification (IT406) states to protect personal data from being sent insecurely or incorrectly. Internal audit, along with the IT infrastructure lead, developed a dummy payroll file and: 1. uploaded it to a personal email address; 2. emailed the file to a personal email address. Review found that payroll file can be uploaded and emailed to personal email addresses. It is noted the internal audit also managed to open payroll file using a personal device. Risk If the network firewall is not secure and data files can be uploaded to personal email addresses, there is a risk of data loss, unauthorised usage, or for sale to third parties.	Review controls within the councils' network firewall to prevent sensitive/confidential information being uploaded or sent to personal email accounts.	Interim IT Programmes Manager

Management Response	Implementation Due Date
Recommendation is **Agreed in Principle** Blocking of personal data from being emailed out to a personal account as opposed to sending personal information to a legitimate recipient, for example housing association, needs to have rules set, these need to be agreed with Capita. Management response: Interim IT Programmes Manager	31 March 2021

CYBER SECURITY AWARENESS

4. Cyber security awareness (High Risk)

Rationale	Recommendation	Responsibility
Best Practice All officers and councillors have been provided with cyber security awareness sessions.	Establish regular cyber security awareness sessions, which are mandatory for officers and councillors.	Interim IT Programmes Manager/ Emergency Planning Officer

Findings Cyber security awareness sessions have not been set up or provided to officers or councillors. Through discussion, it was noted that the assurance team have looked into the possibility of provided these training sessions; however, COVID-19 and lockdown has prevented this. Risk If councils' do not provide cyber security awareness sessions, there is a risk that officers and councillors are not aware of what is required to stay cyber safe, increasing the potential for a cyber security incident/breach.		
Management Response		**Implementation Due Date**
Recommendation is **Agreed** Ensure regular review of all policies via Capita data security team and upload on to Jarvis. Re-establish cyber awareness campaign. New staff awareness and training material is being added to LEAH which will form part of the staff induction process. Management response: Interim IT Programmes Manager		31 March 2021

DATA LOSS AND UNAUTHORISED ACCESS

5. Active directory management (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Procedures for management of the active directory are in place. Findings Whilst a joiner, mover and leavers (JML) process is in place to remove users from the active directory, there are many locally administered systems in use across the councils that are not linked to the JML process, hence there is an increased risk that the users of these systems are not reviewed and reconciled to the current employee list. Risk If the active directory is not kept updated and linked to the JML process in order to ensure users are removed or access rights are configured correctly, there is a risk that systems can be accessed by	Develop clearly defined procedures for management of the active directory and communication to officers.	IT Development Manager/ HR Manager

unauthorised individuals outside their allocated permissions.		
Management Response		**Implementation Due Date**
Recommendation is **Agreed in Principle** Spot-check AD is being updated as part of JML, but accuracy is dependent upon HR submitting the form correctly. Management response: IT Development Manager/ HR Manager		31 March 2021

6. Laptop/desktop security (High Risk)

Rationale	Recommendation	Responsibility
Best Practice Council officers and contractors lock their workstation each time they are left unattended. Findings During a two-week period in September 2019, internal audit performed three office walkarounds on three different days to establish whether any laptops/desktops were left unlocked and unattended. Internal audit found that on 39 occasions, laptops/desktops were left unlocked when unattended (13 workstations per walkaround). Risk If laptops/desktops are left unlocked when unattended, there is a risk of officers viewing confidential/sensitive documents to which they are authorised to do so.	Issue regular reminders to officers and contractors of the requirement to lock their laptop/ desktop when left unattended.	Interim IT Programmes Manager
Management Response		**Implementation Due Date**
Recommendation is **Agreed** Ensure regular review of all policies via Capita data security team and upload on to Jarvis. Re-establish cyber awareness campaign. Staff communications to remind people to lock laptops when unattended - especially with remote and offsite working now a normal practice. Management response: Interim IT Programmes Manager		31 March 2021

CYBER/INFORMATION SECURITY INCIDENT

7. Disaster recovery plan (High Risk)

Rationale	Recommendation	Responsibility
Best Practice A disaster recovery plan is in place, which is regularly tested.	a) Develop a disaster recovery plan to prepare for a cyber/ information security incident.	IT Programme Manager/ Emergency Planning Officer

Findings Internal audit established, from conversations with both the assurance team leader and the IT infrastructure lead, that there is currently no disaster recovery plan in place to assist in the event of a cyber/ information security incident. Risk If a disaster recovery plan is not in place, there is a risk that the councils fail to respond appropriately and in a timely manner to recover councils' services, following an incident/ disaster.	b) Once a disaster recovery plan is in place, undertake regular testing to ensure that the plan is fit for purpose.	
Management Response		**Implementation Due Date**
Recommendation is **Agreed in Principal** There is a dependency on aligning with the Capita 5CP cyber incident plan and the wider 5CPs IT infrastructure which will impact the councils' ability to devise their own plan. Management response: Customer Assurance Manager/ Interim IT Programmes Manager		31 March 2021

2. Housing Benefits & CTRS 2019/20 – updated

The initial report for this review was presented to JAGC in September 2020 but there was concerns regarding the values of the errors identified and the sampling methods applied.
To address these concerns further tests were undertaken using a statistical random sample of overpayments. No further issues were identified and this report is updated to reflect this additional testing.
As requested, the methodology used to select samples has been reviewed and a separate paper is included setting out the revised approach.

MANAGEMENT SUMMARY

1 INTRODUCTION

1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to housing benefits (HB) and council tax reduction scheme (CTRS). The audit has been undertaken in accordance with the 2019/2020 audit plan agreed with the audit and governance committee of South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC). The audit has a priority score of 21. The audit approach is provided in the audit framework in Appendix 1.

1.2 The following areas have been covered during the course of this review to provide assurance that:

- the administration of benefits is up to date, including guidance, procedures and training for officers carrying out assessments, so the process runs smoothly;
- benefits assessments are correctly calculated, promptly undertaken and adequate quality checks take place;
- payments of housing benefits and CTRS are managed appropriately with suitable supporting documentation;
- there is a suitable mechanism to identify and recover benefit overpayments;
- there is an adequate audit trail to substantiate the figures on the housing benefits subsidy claim, the claim is properly completed, and the figures included are accurate;
- processes are in place to prevent and detect fraud and for fraud referrals to the Department of Work and Pensions (DWP); and
- performance is appropriately recorded, monitored and reported.

2. BACKGROUND

2.1 Housing benefits and CTRS are means tested schemes to help those on low income pay their rent and/or council tax. The DWP set the rules for the housing benefits calculations which is dependent upon income and prescribed needs allowances. CTRS is the councils' own scheme that utilises the same rules as for housing benefits. The DWP has been introducing Universal

Credit to replace housing benefits and other state benefits with a single payment, at SODC and VWHDC since 2015.

2.2 Capita continues to provide the HB and CTRS service for the councils and, since 1 August 2016 this is delivered within the 5 Councils Partnership (5CP). A client team was in place providing HB and CTRS oversight for all of the 5CP councils at the outset of the 5CP contract. During November 2018, this was scaled down and resources returned to the council to retain oversight and perform functions that cannot be outsourced, such as 10% checks on assessments. The councils' now have an in-house revenues and benefits team and, as far as the 5CP contract overall, there is still oversight managed through the Client Relationship Director. The councils' representative for issues affecting all councils in the contract is the Head of Partnerships and Insight.

2.3 Housing benefits and CTRS is managed through the Advantage system. As at January 2020 the case reported caseload was:

	SODC	VWHDC
Housing benefits	5,214	5,246
CTRS	5,375	5,214
Net (some claims are for both housing benefits and CTS)	6,181	6,104

3. PREVIOUS AUDIT REPORTS

3.1 Housing benefits and CTRS was last subject to an internal audit review in March 2019 and seven recommendations were raised. All seven recommendations were agreed. A substantial assurance opinion was issued.

3.2 Of the seven recommendations, five have been implemented and two have not been implemented and are restated as part of this review (Recs 1 and 2).

4. 2019/2020 AUDIT ASSURANCE

4.1 **Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

4.2 One recommendation has been raised and two previous recommendations have been restated in this review. One high risk and two low risk.

5. MAIN FINDINGS

5.1 Procedures

5.1.1 Capita maintain a comprehensive set of 32 training manuals, which also act as procedures. The training manuals describe how to use the Advantage system to process housing benefits and CTRS claims. Capita has a training programme ranging from full new starter training to ongoing

refresher training. There have been no new starters since the previous audit review. The five Councils Partnership (5CP) contract specification sets out service delivery requirements including performance indicators.

5.1.2 The councils' revenues and benefits team maintain oversight of housing benefits and CTS service delivery, perform statutory checks and manage discretionary housing payments (DHP). It is noted that the DHP is an award to people in receipt of HB or the housing element of Universal Credit to help with housing costs where extra financial assistance is needed. The government allocates an annual allocation and sets a maximum that can be spent.

5.1.3 An online housing benefits and CTRS application form is made available through each council's website in addition to a PDF version of the application form. Claimants can apply for HB through DWP but that will not be a claim for CTRS. Therefore, claimants are asked to sign a single page stating their intention to claim CTRS as well as HB. It was noted that there is no reference to privacy notices or other data protection information on either the housing benefits/CTRS or DHP application or the councils' webpages.

5.1.4 Applicants are encouraged to personally bring sensitive documents supporting their claim to the council offices rather than send them via post. Should items be received through the post at either the council offices or at Capita's Erith offices they are returned by recorded delivery.

5.1.5 Area assurance: Substantial
One previous recommendation has been restated as a result of our work (Rec 1).

5.2 **Benefit assessments**

5.2.1 All housing benefits and/or CTRS applicants are required to complete an application form and provide supporting evidence attached to help prove identity and financial status (see 5.1.3). This information is assessed and input onto the Advantage system by Capita's benefits assessors' teams. Once the required financial information is entered onto Advantage, it automatically calculates the housing and CTRS for approved claimants. The calculation of benefits depends upon specific values (benefits parameters) which are saved within the benefits system and are used in benefit calculations, e.g. personal allowances for those aged 18-25. Internal audit selected a sample of 20 housing benefits uprating's, from DWP circular A8/2018, against housing benefits annual billing parameters and review confirmed that the housing benefits parameters were appropriately uploaded onto Advantage for both SODC and VWHDC.

5.2.2 In 2019/2020 to date (February 2020), there were 914 (455 SODC and 459 VWHDC) new housing benefits and/or council tax reduction scheme (CTRS) claims. A random sample of 40 (20 SODC and 20 VWHDC) new housing benefit claims and CTRS claims were to ensure that the assessments were undertaken in line with the relevant guidelines. Review confirmed that all claim forms were signed accordingly by the claimant, adequate supporting documentation was submitted to support the claim,

and, Capita assessed and responded to all claimants within 14 days of receiving all supporting documentation.

5.2.3 Capita provide the councils' revenues and benefits team with a daily report of the claims that have been assessed and a random 10 per cent sample is selected to quality check. Review of quality checks for one week (January 2020) confirmed that 10% are undertaken by the councils' revenues and benefits team, in line with The Contracting Out Order 2002.

5.2.4 Area assurance: Full
No recommendations have been made as a result of our work in this area.

5.3 **Housing benefits and CTRS payments**

5.3.1 Payments of HB and CTRS are made via BACS or cheque at varying frequencies (e.g. fortnightly, four weekly or monthly) depending on the claimant. Payment runs are undertaken on a weekly basis and review of two (one SODC and one VWHDC) payment runs confirmed that there is adequate segregation of duties in place, as Capita process the payments and the councils' revenues and benefits team review and authorise the payment runs.

5.3.2 A review of the returned cheques process identified that a stop is placed when the cheque is not physically held and marked as void. Payments are re-issued where necessary once the stop has been confirmed by the bank. Internal audit is satisfied that all returned and replacement cheques are dealt with appropriately with a satisfactory audit trail retained in the respective SODC and VWHDC benefits systems.

5.3.3 Area assurance: Full
No recommendations have been made as a result of our work in this area.

5.4 **Benefits overpayment recovery**

5.4.1 Overpayments may occur in cases where changes of circumstances that affect the previously awarded payments are not declared to the council in a timely manner by the claimant. At the time of the audit review (February 2020), there were 4,499 (2,290 SODC and 2,209 VWHDC) outstanding overpayment invoices. A sample of 40 (20 SODC and 20 VWHDC) overpayment invoices was selected to ensure recovery action had progressed in accordance with the timescales set out in the Corporate Debt Recovery Strategy (CDRS). Review found that 15 (11 SODC and four VWHDC) invoices had not had recovery action taken in accordance with the councils' corporate debt recovery strategy. Of the 40 overpayment invoices selected, eight (six SODC and two VWHDC) were referred to the legal team for possible prosecution action. Review of the eight invoices confirmed that appropriate legal action was taken to try and recoup the outstanding overpayment debt.

5.4.2 Not all debts are recoverable, e.g. low values which are uneconomical to pursue, and therefore may need to be written off. In 2019/2020 to date (February 2020), there were 267 (140 SODC and 127 VWHDC) overpayment invoices written off. A sample of 40 (20 SODC and 20

VWHDC) invoices were selected and review confirmed that all write offs were:

- reviewed by the councils' revenues and benefits team;
- authorised appropriately, in line with the councils' constitution.

5.4.3 Monthly reconciliations of overpayment invoices that have been written off by Capita in the Advantage system are performed, once the councils authorise the write off. Review of the reconciliation process identified no issues.

5.4.4 Area assurance: Limited
One recommendation has been made as a result of our work in this area (Rec 3).

5.5 **Housing benefits subsidy claim**

5.5.1 The councils claim government subsidy to cover eligible benefit expenditure. In 2018/2019, the councils' external auditors (Ernst and Young) gave both SODC and VWHDC an unqualified opinion on their subsidy return. As Ernst and Young review the benefit claims for subsidy purposes as prescribed by the Department of Works and Pensions (DWP), no additional checks have been made as a part of this review.

5.5.2 Area assurance: Full
No recommendations have been made as a result of our work in this area.

5.6 **Prevent and detect fraud**

5.6.1 The councils follow the guidance provided in the following policies regarding detection and referral of fraud:

- joint anti-fraud and corruption policy;
- joint anti-fraud and corruption policy response plan;
- joint prosecutions and sanctions policy (specifically for benefit fraud).

Internal audit reviewed each policy and concluded they are adequately detailed and provide details of the key decision makers and tools available for council prosecutions.

5.6.2 There are three ways the councils' fraud and investigation team are notified of any suspected fraud by:

- National Fraud Initiative (NFI) database;
- Capita benefits assessors; or
- members of the public.

Both councils also publicise the council's stance against benefit fraud and encourage members of the public to report any suspected fraud on their respective websites. Capita benefits assessors refer any potential fraud to the fraud and investigation team either via I@W (electronic document and records management system) or email for further scrutiny. It is noted that housing benefit fraud is investigated by DWP's single fraud investigation service; however, are routed through the councils' fraud and investigation team and checked for any potential work regarding CTRS prior to passing the referral to the DWP.

5.6.3 A data sharing agreement is in place between DWP and the councils in Oxfordshire, and any information required is requested by completing a local authority information exchange form, if DWP require information, or a single fraud investigation referral, if the councils require information from DWP. Quarterly liaison meetings also take place between DWP and the Oxfordshire councils, with the last one being 14 January 2020.

5.6.4 Area assurance: Full
No recommendations have been made as a result of our work in this area.

5.7 **Performance**

5.7.1 The councils send their performance statistics (i.e. performance indicators that measure the speed and accuracy with which applications are administered) obtained from the Advantage system and report these monthly to the DWP. The DWP also publish the councils' performance statistics (e.g. speed of processing) on their website. From 1 August 2016, Capita provide the benefits service under the 5CP contract and there is an output specification, key performance indicators (KPI's) and performance indicators (PI) for the services within the contract. These targets are a part of managing the contract with Capita who provide benefits services to both SODC and VWHDC. At the time of audit (March 2020), the most recent report was for January 2020. Review of the performance report found that there is no explanation for any variances occurred.

5.7.2 Area assurance: Substantial
One previous recommendation has been restated as a result of our work (Rec 2).

6. ACKNOWLEDGEMENTS

6.1 Internal audit would like to take this opportunity to thank all staff involved for their assistance with the audit.

7. CATEGORISATION OF RECOMMENDATIONS

7.1 To assist management in using our reports, we have categorised our recommendations according to their level of priority as follows:

High risk	Fundamental control weakness for senior management action	**Rec 3**
Medium risk	Other control weakness for local management action	
Low risk	Recommended best practice to improve overall control	**Recs 1 and 2**

OBSERVATIONS AND RECOMMENDATIONS

PREVIOUS RECOMMENDATIONS RESTATED

1. GDPR compliance (Low Risk)

Rationale	Recommendation	Responsibility
Best Practice Application forms and website information for DHP, housing benefits and CTRS contain, or link to, GDPR information and privacy notices. Findings There is no reference to data protection privacy notices or the councils' data protection information on the following: • DHP application form; • Council webpages for applying for DHP or housing benefits and CTRS Risk Non-compliance to GDPR legislation, which could result in fines and reputational damage.	Review and update housing benefits/CTRS and DHP information on the councils' webpages and on application forms to include GDPR information, e.g. privacy notices.	Revenues and Benefits Manager

Management Response	Implementation Due Date
Recommendation is **Agreed** The requirements are confusing. Although there are general statements on the websites the exact requirements are being determined by the 5C's forum. As soon as requirements are specified, I will ensure they are implemented. Management response: Revenues and Benefits Manager	30 September 2020

2. Performance reports (Low Risk)

Rationale	Recommendation	Responsibility
Best Practice The councils receive regular reports on all agreed performance indicators with explanations of variances. Findings A monthly spreadsheet is provided by Capita recording performance for housing benefit and CTRS as well as council tax and NNDR. However, review of January 2020 spreadsheet found that explanation of variances is not recorded. Risk Areas of underperformance may remain unidentified and uncorrected.	Monthly performance reports should include explanations of variances and include all required KPI and PI figures.	Revenues and Benefits Manager

Management Response	Implementation Due Date
Recommendation is **Agreed in Principle** Unfortunately, our councils are now part of the 5C's arrangements, and the performance reports are produced in accordance with those governing requirements. Saying that, our councils have previously	30 September 2020

agreed a shortened bespoke report similar to what we received in the past. This would provide commentary on performance and I will ask for it to be produced again (as it has lapsed). It should be noted however that commentary is provided our councils Board Report in respect of collections and benefit processing. Management response: Revenues and Benefits Manager	

BENEFITS OVERPAYMENT RECOVERY

3. Recovery process (High Risk)

Rationale	Recommendation	Responsibility
Best Practice All overpayments are progressed through the recovery process in a timely and efficient manner. Findings In 2019/2020 to date (January 2020), there were 4,499 (2,290 SODC and 2,209 VWHDC) outstanding housing benefits overpayment invoices totalling £5,082,457 (£2,622,227.97 SODC & £2,460,229 VWHDC). A sample of 40 (20 SODC and 20 VWHDC) outstanding housing benefits overpayment invoices was selected using both statistical and non-statistical sampling methods. Review found that 15 (11 SODC and four VWHDC) overpayment invoices had not been progressed through the recovery process efficiently and in line with the corporate debt recovery strategy. The total value of the 15 errors identified is £153,132 (£120,028 SODC and £33,104 VWHDC). Due to the high error rate (37.5%) identified in both the SODC (55%) and VWHDC (20%) overpayment samples, an additional sample of 20 (10 SODC and 10 VWHDC) overpayments were tested. A statistical sampling method was used to select the additional sample. Based on our review of the additional overpayments, no issues were identified. Risk If overpayments are not reviewed and progressed through the recovery process in a timely and efficient manner, it may prove difficult to recover the overpayment resulting in writing off the account.	A reminder should be sent to Capita benefits team to attempt to recover overpayments in line with the councils' corporate debt recovery strategy.	Revenues and Benefits Manager
Management Response		**Implementation Due Date**
Recommendation is **Agreed**		31 October 2020

It is fair to say that the from the commencement of the 5C's contract, it was immediately evident that the new 5C's overpayment recovery function was in need of a review of resourcing and processes as it was not conducive for the "maximisation of overpayment income" as specified in the contract. However, in the last year, as far as South and Vale is concerned, we have seen a significant improvement in recovery rate performance, which has been confirmed by DWP statistics. We have collected more than we have raised, which is probably down to a combination of increased recovery action by the team (a combination of the new and committed Capita team and our own expert legal services and we use every recovery tool allowed) and fewer overpayments being created as Universal Credit kicks in. We need to sustain and even try to improve on this, so in the next few months (COVID allowing) we will consider the best way forward, including an independent review of the caseload. Management response: Revenues and Benefits Manager	

3. Elections and Election Payments 2019/2020 – Follow up Review

MANAGEMENT SUMMARY

1. INTRODUCTION

1.1 This report details the findings from internal audit's follow-up review of elections and election payments 2019/2020. The original fieldwork was undertaken in November 2019 and the final report was issued in December 2019. Follow-up work has been undertaken in accordance with the 2019/2020 audit plan agreed with the joint audit and governance committee of South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC), to ensure that the agreed recommendations have been implemented within the timescales provided.

2. INITIAL AUDIT FINDINGS

2.1 The final report made five recommendations, and all were agreed. A limited assurance level opinion was issued.

3. FOLLOW UP MAIN FINDINGS

3.1 The review found that all five recommendations have been implemented.

4. ACKNOWLEDGEMENTS

4.1 Internal audit would like to take this opportunity to thank all staff involved for their assistance with the follow-up audit.

FOLLOW-UP OBSERVATIONS

ROLES AND RESPONSIBILITIES

1. Online training **(Medium Risk)**

Rationale	Recommendation	Responsibility
Best Practice Presiding officers, poll clerks and polling station inspectors complete the online training, prior to the elections. Findings The following elections staff worked at the May 2019 elections: *District and parish councils' elections* • 203 (108 SODC and 95 VWHDC) presiding officers; • 276 (147 SODC and 129 VWHDC) poll clerks; • 14 (7 SODC and 7 VWHDC) polling station inspectors.	a) A reminder notice should be issued to presiding officers and poll clerks who have not completed the mandatory online training prior to the elections, reminding them of the requirement to do so in order to understand their duties. b) The elections team should perform a review of the online training records and decide whether to consider appointing staff for election duties in the future.	Electoral Services Team Leader

European parliament election • 206 presiding officers; • 281 poll clerks; • 14 polling station inspectors. From review of all presiding officers, poll clerks and polling station inspectors who worked at both elections, internal audit found that 11 (two SODC presiding officers, three SODC poll clerks, one VWHDC presiding officer and five VWHDC poll clerks) elections staff did not complete the online training. Risk If presiding officers, poll clerks and polling station inspectors do not complete the online training, there is a risk that staff do not carry out their duties appropriately, which may result in errors and reputational damage.		
Management Response		**Implementation Due Date**
Recommendation is **Agreed** This will be implemented for the Police and Crime Commissioner election in May 2020. Management response: Electoral Services Team Leader		31 May 2020
Follow-up observations		
a) The appointment letter for both poll clerk and presiding officers both state that training is required to undertake their role. The elections team also sends out reminder emails to election staff that have not undertaken the training. Evidence has been provided and filed. b) The electoral services team leader stated that a review was undertaken and found no evidence of repeat offenders of not undertaking the required training.		**Implemented**

SCHEDULE OF FEES

2. Staff payment review (High Risk)

Rationale	Recommendation	Responsibility
Best Practice Elections staff payments are calculated correctly and in line with the agreed scale of fees. Findings In October 2018, both SODC and VWHDC Council meetings approved the elections scale of fees. The scale of fees state that staff working on the count are paid: • for the first hour; • for each half hour thereafter or part thereof. The following elections staff worked at the May 2019 counts:	A reminder should be sent to the elections team members to thoroughly review the payroll records to ensure that the amounts due to be paid to elections staff are accurately calculated and in line with the agreed scale of fees, prior to it being sent to Selima for payment.	Democratic Services Manager

District and parish councils' elections • 160 (80 SODC and 80 VWHDC) count assistants; • 40 (20 SODC and 20 VWHDC) count supervisors; • 164 (81 SODC and 83 VWHDC) overnight count assistants; • 42 (21 SODC and 21 VWHDC) overnight count supervisors. *European parliament election* • 146 count assistants; • 21 count supervisors; • 149 verification assistants. The approved scale of fees states that staff working on the count are paid for the first hour and for each half hour thereafter or part thereof. A sample of 22 (eight SODC, eight VWHDC and six European) elections staff at the count was selected and review found that 19 staff were paid incorrectly (12 were overpaid and seven were underpaid) and not in line with the agreed scale of fees. Risk If elections staff payments are not calculated correctly, there is a risk of overpayment of staff resulting in a financial loss to the councils.		
Management Response		**Implementation Due Date**
Recommendation is **Agreed** The scales of fees and charges agreed by the councils do not apply to the Parliamentary elections in December 2019 or the Police and Crime commissioner elections in May 2020, but the same principle will be applied to the fee structure agreed by the Acting Returning Officer/Local Returning Officer. Management response: Democratic Services Manager		31 January 2020
Follow-up observations		
The elections team leader stated that review of payroll was undertaken for the staff that worked in the December 2019 general elections. Review of five elections staff pay confirmed that staff working on the elections were correctly paid.		**Implemented**

3. Signing in and out at the count (Low Risk)

Rationale	Recommendation	Responsibility
Best Practice Elections staff working at the count as either an assistant, supervisor or verifier, fill in the signing in and out sheet. Findings A sample of 22 (eight SODC, eight VWHDC and six European) elections staff at the count was selected and review	A notice should be issued to all elections staff on the count, as either an assistant, supervisor or verifier, to fill in the signing in and out sheet.	Electoral Services Team Leader

found that one overnight supervisor did not sign in or out sheet and was paid for nine hours of work. It is noted that the individual did confirm their hours via email. Also, review of the signing in and out sheets found that the sheets were filled in by the same officer and not by the individuals working at the count. Risk If elections staff do not fill in the signing in and out sheet, there is a risk of them either not being paid or being paid incorrectly.		
Management Response		**Implementation Due Date**
Recommendation is **Agreed** Count supervisors are instructed to ensure that this happens, and this will be reinforced. Management response: Democratic Services Manager		31 December 2019
Follow-up observations		
Internal audit obtained copies of the election staff signing in records for the general elections, which were held on 12 December 2019. Review of the records confirmed that election staff on the count are now signing in and out.		**Implemented**

CHECKING, AUTHORISING AND ELECTION PAYMENTS

4. Returning of acceptance and staff payment forms (Low Risk)

Rationale	Recommendation	Responsibility
Best Practice Elections staff complete and return both acceptance of appointment (Form A) staff payment (Form B) forms prior to working on the elections. Findings At both May 2019 elections, there were: • 505 elections staff - SODC district and parish elections; • 479 elections staff - VWHDC district and parish elections; • 853 elections staff - European parliament elections. A sample of 33 (11 SODC, 12 VWHDC and ten European) found that three European election staff did not complete and return either Form A - acceptance of appointment and Form B - staff payment and were paid for undertaking their role. Risk If elections staff do not complete and return Form A, there is a risk of the	A reminder should be sent to all election staff members to complete and return both Form A - acceptance of appointment and Form B - staff payment.	Electoral Services Team Leader

councils not receiving any formal acceptance to undertake the role resulting in a possible no show to undertake the role. If elections staff do not complete and return Form B, there is a risk of staff being incorrectly taxed.		
Management Response		**Implementation Due Date**
Recommendation is **Agreed** This will be done as far as possible, but Form A is not always achievable for staff appointed at short notice e.g. to replace staff who withdraw Management response: Democratic Services Manager		31 May 2020
Follow-up observations		
Internal audit obtained evidence of reminder emails being sent out to elections staff when not returned to the councils.		**Implemented**

POST-ELECTION PERFORMANCE REVIEW

5. Post-election action plan (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice An action plan is in place and followed to rectify any issues identified following the previous election. Findings Post-election reviews of both the district and parish councils' elections and the European parliament election were undertaken by the elections team, project team and the consultant from the Association of Electoral Administrators and issues were identified. In October 2019, a report went to both SODC and VWHDC's Community Governance and Electoral Issues Committee and key actions were noted in the report. An action plan was developed by the external consultant and at the time of the audit (October 2019) the elections team were working through the actions. However, an action plan has not been developed regarding the issues identified in the post-election reviews undertaken by both the elections team and the project team; nor has an action plan been developed regarding to the key actions noted in the report to the committee. Risk If an action plan is not in place to rectify any issues identified in the May 2019	An action plan with implementation target dates should be developed to ensure that any issues identified from the May 2019 elections in the post-election reviews are in place prior to the next elections.	Electoral Services Team Leader

elections, there is a risk that the councils will not learn from any mistakes made resulting in the same error being made in the next elections.		
Management Response		**Implementation Due Date**
Recommendation is **Agreed** This will be signed off at the Gateway 3 project closure and delivery review report. Management response: Democratic Services Manager		31 March 2020
Follow-up observations		
Issues identified during the elections post review are now part of the election team's action plan. Review of the action plan found that actions were completed and implemented at the December 2019 general elections.		**Implemented**

Joint Audit and Governance Committee

Report of Interim Internal Audit Manager

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To: Joint Audit and Governance Committee

DATE: 26 January 2021

Internal audit management report quarter three 2020/21

Recommendation

That members note the content of the report.

Purpose of report

1. The purpose of this report is:

   - to report on management issues within internal audit;
   - to summarise the progress against the 2020/21 audit plan up to 07 January 2021; and
   - to summarise the priorities for quarter four 2020/21.

2. The contact officer for this report is Richard Green, Interim Internal Audit Manager for South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC), telephone 07849 574860.

Strategic objectives

3. Delivery of an effective internal audit function will support the councils in meeting their strategic objectives.

Background

4. The Public Sector Internal Audit Standards (PSIAS), effective from 1 April 2017, state that the head of internal audit should prepare a risk-based audit plan, which should outline the assignments to be carried out and the resource requirements to deliver the plan, for audit committee approval. The Joint Audit and Governance Committee approved the 2020/21 annual internal audit plan in July 2020 and a subsequent amended plan in September due to the impact of redeployment as result of Covid 19.

5. The PSIAS also states that the head of internal audit must periodically report on performance relative to the plan.

Management issues

6. From 30 November 2020, the internal audit manager is taking maternity leave for a period of 12 months. An interim internal audit manager, Richard Green was appointed on 23rd November and took up the role on 7th December 2020.

7. The team has continued to be involved in the project of moving the Grounds Maintenance operations in-house and a progress report is included for information.

8. Due to the latest concerns with Covid 19 there is a possibility that the Internal Audit team will again be requested to be redeployed to support council activities which may cause some audits to be delayed or postponed. However, the intention is to keep any such impacts to a minimum and to ensure that there is sufficient audit coverage of the key financial systems.

Progress against the 2020/21 audit plan

9. Progress against the approved audit plan for 2020/21 has been calculated for the quarter and year to date and is summarised in **appendix 1** attached. A summary of the progress against the 2019/20 audit plan is summarised in **appendix 2**.

10. Performance figures to date are as follows:

			Actuals by Quarter			
	Target	**YTD**	**Q1 20/21**	**Q2 20/21**	**Q3 20/21**	**Q4 20/21**
Chargeable (identifiable client and/or specific IA deliverable)	76%	42%	0%	23.5%	3.5%	-
Non-Chargeable (corporate, not IA deliverable)	7%	29.5%	83%	41%	41.5%	-
Planned Lost (i.e. leave)	14.5%	14%	12%	24.5%	37%	-
Unplanned Lost (i.e. study, sickness)	2.5%	14%	5%	11%	18%	-

11. As at 07 January 2021 the status of audit work against the 2020/21 audit plan is as follows:

Planned
Strategic, operational and financial assurance work known and approved by the joint audit and governance committee.

2020/21	Planned	Completed	Draft Out	In progress	To commence
Total	**14**	**1**	**0**	**9**	**4**
Joint	14	1	0	9	4
SODC	0	0	0	0	0
VWHDC	0	0	0	0	0

Ad-hoc
Unplanned project work based on agreed terms of reference with the audit manager (i.e. implementation of new systems) and responsive work issued and agreed by the section 151 officer, members or senior management team (i.e. investigations).

2020/21	Requested	Complete	Draft	In progress	To commence
Ad-hoc	**0**	**0**	**0**	**0**	**0**
Joint	0	0	0	0	0
SODC	0	0	0	0	0
VWHDC	0	0	0	0	0

Follow up
Work undertaken to ensure that agreed recommendations have been implemented. The number of follow-up audits is a rolling number, all internal audit reports are followed up after six months unless the area is subject to an annual review.

2020/21	Requested	Complete	Draft	In progress	To commence
Follow up	**0**	**2**	**0**	**1**	**2**
Joint	0	2	0	0	1
SODC	0	0	0	1	0
VWHDC	0	0	0	0	1

Priorities for 2020/21 quarter four (January 2021 to March 2021)

12. The priorities for quarter four are to:

- Continue the planned audit work for 2020/21, in line with the audit plan; and
- Prepare the annual internal audit plan for 2021/22.

13. Remaining 2020/21 planned audit work can be reviewed in **appendix 3**.

Financial implications

14. There are no financial implications attached to this report.

Legal implications

15. None.

Risk implications

16. Identification of risk is an integral part of all audits.

Richard Green
INTERIM INTERNAL AUDIT MANAGER

PLANNED AUDIT 2020/2021 **APPENDIX 1**

Audit Area As at 07 January 2020	Status	Audit Allocation	Total Days Used	Exception Issues	Audit Opinion	No. of Recs	High	No. Agreed	Medium	No. Agreed	Low	No. Agreed	Total Not Agreed
KEY FINANCIAL AUDITS													
Capital Management & Accounting (16)	**To Commence Q4**												
SODC		8	0.0		**Not yet applicable**								
VWHDC		8	0.0		**Not yet applicable**								
Council Tax (20)	**In Progress**												
SODC		16	8.5		**Not yet applicable**								
VWHDC		16	8.5		**Not yet applicable**								
General Ledger (19)	**In Progress**												
SODC		7.5	2.0		**Not yet applicable**								
VWHDC		7.5	2.0		**Not yet applicable**								
Housing Benefits & Council Tax Reduction Scheme (20)	**In Progress**												
SODC		17	10.5		**Not yet applicable**								
VWHDC		17	10.5		**Not yet applicable**								
National Non-Domestic Rates (NNDR) (incl. COVID-19 Business Grants) (22)	**In Progress**												
SODC		15	4.0		**Not yet applicable**								
VWHDC		15	4.0		**Not yet applicable**								
Payroll (incl. Travel & Subsistence, Pension Administration, Annual Leave Payments) (22)	**In Progress**												
SODC		20	1.0		**Not yet applicable**								
VWHDC		20	1.0		**Not yet applicable**								
Pro-Active Anti-Fraud Review (19)	**In Progress**												
SODC		10	1.0		**Not yet applicable**								
VWHDC		10	0.5		**Not yet applicable**								
Treasury Management (18)	**To Commence Q4**												
SODC		10	2.5		**Not yet applicable**								
VWHDC		10	2.0		**Not yet applicable**								
PLANNED ASSURANCE AUDITS													
Building Control (15)	**To Commence Q4**												
SODC		10	0.0		**Not yet applicable**								
VWHDC		10	0.0		**Not yet applicable**								
COVID-19 Response Governance Review	**In Progress**												
SODC		20	12.0		**Not yet applicable**								
VWHDC		20	12.0		**Not yet applicable**								
Health & Safety (17)	**In Progress**												
SODC		10	6.5		**Not yet applicable**								
VWHDC		10	6.5		**Not yet applicable**								
HR Management & Reporting (incl. Annual Leave Calculation) (13)	**Completed**												
SODC		14	13.5		**Satisfactory**								
VWHDC		14	13.5		**Satisfactory**								
PLANNED CONSULTANCY AUDITS													
Grounds & Parks Maintenance In-Sourcing	**In Progress**												
SODC		10	5.0		**Not yet applicable**								
VWHDC		10	5.0		**Not yet applicable**								
Corporate Landlord Approach	**To Commence Q4**												
SODC		10	0.0		**Not yet applicable**								
VWHDC		10	0.0		**Not yet applicable**								
JOINT PLANNED AUDIT TOTALS		**355**	**132.0**			**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Completed	**1**			**Full**	**0**								
Draft Out	**0**			**Substantial**	**0**								
In Progress	**9**			**Satisfactory**	**2**								
To Commence	**4**			**Limited**	**0**								

PLANNED AUDIT 2019/2020 **APPENDIX 1**

Audit Area As at 07 January 2021	Status	Audit Allocation	Total Days Used	Exception Issues	Audit Opinion	No. of Recs	High	No. Agreed	Medium	No. Agreed	Low	No. Agreed	Total Not Agreed
JOINT													
Budgetary Control (16)	**Completed**												
SODC		5	3.0		**Satisfactory**	**3**	0	0	2	2	1	1	**0**
VWHDC		5	3.0		**Satisfactory**	**3**	0	0	2	2	1	1	**0**
Capital Management and Accounting (22)	**Completed**												
SODC		7	10.0		**Limited**	**10**	1	1	8	8	1	1	**0**
VWHDC		7	9.5		**Limited**	**10**	1	1	8	8	1	1	**0**
Council Tax (24)	**Completed**												
SODC		10	20.5		**Limited**	**12**	2	2	5	5	5	5	**0**
VWHDC		10	20.5		**Limited**	**12**	2	2	5	5	5	5	**0**
Creditor Payments (26)	**Completed**												
SODC		10	10.0		**Satisfactory**	**5**	0	0	3	3	2	2	**0**
VWHDC		10	10.0		**Satisfactory**	**5**	0	0	3	3	2	2	**0**
Data Protection / GDPR (20)	**Completed**												
SODC		7	7.5		**Satisfactory**	**8**	0	0	3	3	5	5	**8**
VWHDC		7	7.5		**Satisfactory**	**8**	0	0	3	3	5	5	**8**
Development Management (20)	**Completed**												
SODC		10	6.0		**Satisfactory**	**8**	0	0	4	4	4	4	**0**
VWHDC		10	6.0		**Satisfactory**	**8**	0	0	4	4	4	4	**0**
Disabled Facility Grants (16)	**Completed**												
SODC		8	13.0		**Full**	**1**	0	0	0	0	1	1	**0**
VWHDC		8	13.0		**Full**	**1**	0	0	0	0	1	1	**0**
Elections and Election Payments (22)	**Completed**												
SODC		15	17.0		**Limited**	**5**	1	1	2	2	2	2	**0**
VWHDC		15	17.0		**Limited**	**5**	1	1	2	2	2	2	**0**
General Ledger (23)	**Completed**												
SODC		10	10.5		**Satisfactory**	**10**	0	0	4	4	6	6	**10**
VWHDC		10	10.0		**Satisfactory**	**10**	0	0	4	4	6	6	**10**
Health and Safety (21)	**Audit Delayed**			Audit delayed and will be audited as part of the 2020/21 internal audit plan									
SODC		10	0.0										
VWHDC		10	0.0										
Housing Benefits and CTRS (21)	**Completed**												
SODC		15	15.0		**Limited**	**3**	1	0	0	0	2	0	**3**
VWHDC		15	15.0		**Limited**	**3**	1	0	0	0	2	0	**3**
Information Security (Inc. Cyber Security) (21)	**Completed**												
SODC		10	8.0		**Limited**	**7**	5	5	2	2	0	0	**7**
VWHDC		10	8.5		**Limited**	**7**	5	5	2	2	0	0	**7**
Leisure Development (8)	**Audit Delayed**			Audit delayed - no new projects for review.									
SODC		10	0.0										
VWHDC		10	0.0										
Lone Working / Officer Security (24)	**Completed**												
SODC		7	2.0		**Satisfactory**	**12**	0	0	4	4	8	8	**12**
VWHDC		7	2.0		**Satisfactory**	**12**	0	0	4	4	8	8	**12**
Mobile Home Parks (25)	**Completed**												
SODC		12	12.0		**Satisfactory**	**10**	0	0	4	4	6	6	**0**
VWHDC		12	12.0		**Satisfactory**	**10**	0	0	4	4	6	6	**0**
National Non-Domestic Rates (NNDR) (22)	**Completed**												
SODC		10	11.5		**Satisfactory**	**6**	0	0	2	0	4	0	**6**
VWHDC		10	11.0		**Satisfactory**	**6**	0	0	2	0	4	0	**6**
Payroll (28)	**Completed**												
SODC		18	15.0		**Limited**	**8**	4	4	3	3	1	1	**0**
VWHDC		18	15.0		**Limited**	**8**	4	4	3	3	1	1	**0**
Performance Management (17)	**Audit Delayed**			Audit delayed until the SODC and VWHDC corporate plans 2020-2024 are implemented.									
SODC		8	0.0										
VWHDC		8	0.0										
Pro-active Anti-Fraud Review (21)	**Completed**												
SODC		7	6.5		**Limited**	**3**	2	0	0	0	1	0	**3**
VWHDC		7	6.5		**Limited**	**3**	2	0	0	0	1	0	**3**
Procurement (27)	**Completed**												
SODC		10	5.0		**Satisfactory**	**4**	0	0	2	2	2	2	**4**
VWHDC		10	5.0		**Satisfactory**	**4**	0	0	2	2	2	2	**4**
Sundry Debtors (23)	**Completed**												
SODC		10	9.5		**Limited**	**4**	2	2	1	1	1	1	**0**
VWHDC		10	9.5		**Limited**	**4**	2	2	1	1	1	1	**0**
Treasury Management (21)	**Completed**												
SODC		7	5.5		**Satisfactory**	**2**	0	0	2	2	0	0	**0**
VWHDC		7	5.5		**Satisfactory**	**2**	0	0	2	2	0	0	**0**
Potential Audits for 2019/2020													
Assets of Community Value (11)	**Completed**												
SODC		7	9.0		**Satisfactory**	**2**	0	0	2	2	0	0	**0**
VWHDC		7	9.0		**Satisfactory**	**2**	0	0	2	2	0	0	**0**
Land Charges (19)	**Audit Delayed**			Audit on hold									
SODC		10	2.0		**Not yet applicable**								
VWHDC		10	1.5		**Not yet applicable**								
Engineering Services (8)	**Audit Delayed**			Audit delayed - insufficient resources to complete the audit due to Covid-19.									
SODC		7	0.0										
VWHDC		7	0.0										
SODC													
Cornerstone (21)	**Completed**												
SODC		10	13.0		**Satisfactory**	**5**	0	0	2	2	3	3	**0**
VWHDC													
Moorings (9)	**Completed**												
VWHDC		10	3.0		**Satisfactory**	**8**	0	0	6	0	2	0	**8**
JOINT PLANNED AUDIT TOTALS		**480**	**395.5**			**246**	**36**	**30**	**106**	**102**	**104**	**90**	**106**
Completed	**20**			**Full**	**2**								
Draft Out	**0**			**Substantial**	**0**								
In Progress	**0**			**Satisfactory**	**22**								
To Commence	**0**			**Limited**	**16**								
Audit Delayed	**5**			**Nil**	**0**								
SODC PLANNED AUDIT TOTALS		**10**	**13.0**			**5**	**0**	**0**	**2**	**2**	**3**	**3**	**0**
Completed	**1**			**Full**	**0**								
Draft Out	**0**			**Substantial**	**0**								
In Progress	**0**			**Satisfactory**	**1**								
To Commence	**0**			**Limited**	**0**								
Audit Delayed	**0**			**Nil**	**0**								
VWHDC PLANNED AUDIT TOTALS		**10**	**3.0**			**8**	**0**	**0**	**6**	**0**	**2**	**0**	**8**
Completed	**1**			**Full**	**0**								
Draft Out	**0**			**Substantial**	**0**								
In Progress	**0**			**Satisfactory**	**1**								
To Commence	**0**			**Limited**	**0**								
Audit Delayed	**0**			**Nil**	**0**								

AUDIT PLAN SCHEDULE 2019/2020 & 2020/2021 (As at 07 December 2020)

APPENDIX 3

Key:

- Key financial audit
- Projected Start Date
- In Progress
- Draft Out
- Completed
- No longer applicable/ revised arrangements
- Confidential

PLANNED AUDITS

2019/20 JOINT AUDITS	PRIORITY	April				May					June				July					August				September				October					November				December				January					February				March			
		1	2	3	4	1	2	3	4	5	1	2	3	4	1	2			3	4	1	2	3	4	1	2	3		4	1	2	3	4	5	1	2	3		4	1	2	3	4		1	2	3	4		5	1	2	3	4	1	2	3		4
Information Security 19/20	21																JAGC											JAGC									JAGC								Shutdown						JAGC								JAGC
Procurement 19/20	27																																																								
Data Protection / GDPR 19/20	20																																																								
General Ledger 19/20	23																																																								
Land Charges 19/20	19																																																								
Lone Working / Officer Security 19/20	24																																																								

2020/21 JOINT AUDITS	PRIORITY	April				May					June				July					August				September				October					November				December				January					February				March			
		1	2	3	4	1	2	3	4	5	1	2	3	4	1	2			3	4	1	2	3	4	1	2	3		4	1	2	3	4	5	1	2	3		4	1	2	3	4		1	2	3	4		5	1	2	3	4	1	2	3		4
Covid-19 Response Work (e.g. business grant, discretionary grant)	N/A																JAGC											JAGC									JAGC								Christmas Office Shutdown						JAGC								JAGC
Capital Management & Accounting	16																																																								
Council Tax	20																																																								
General Ledger	19																																																								
Housing Benefits & Council Tax Reduction Scheme	20																																																								
National Non-Domestic Rates (NNDR) (incl. COVID-19 Business Grants)	22																																																								
Payroll (incl. Travel & Subsistence, Pension Administration, Annual Leave Payments)	22																																																								
Pro-Active Anti-Fraud Review	19																																																								
Treasury Management	18																																																								
Building Control	15																																																								
COVID-19 Response Governance Review	N/A																																																								
Health & Safety	17																																																								
HR Management & Reporting (incl. Annual Leave Calculation)	13																																																								
Grounds & Parks Maintenance In-Sourcing	N/A																																																								
Corporate Landlord Approach	N/A																																																								

FOLLOW UP AUDITS

JOINT	PRIORITY	April				May					June				July					August				September				October					November				December				January					February				March			
		1	2	3	4	1	2	3	4	5	1	2	3	4	1	2			3	4	1	2	3	4	1	2	3		4	1	2	3	4	5	1	2	3		4	1	2	3	4		1	2	3	4		5	1	2	3	4	1	2	3		4
Assets of Community Value 19/20	N/A																JAGC											JAGC									JAGC								Christmas Office Shutdown						JAGC								JAGC
Data Protection / GDPR 19/20	N/A																																																								
Development Management 19/20	N/A																																																								
Elections & Election Payments	N/A																																																								
Information Security 19/20	N/A																																																								
Land Charges 19/20	N/A																																																								
Lone Working / Officer Security 19/20	N/A																																																								
Procurement 19/20	N/A																																																								
SODC																																																									
Cornerstone 19/20																																																									
VWHDC																																																									
Moorings 19/20																																																									

UNPLANNED AUDITS

JOINT	PRIORIT	April				May					June				July					August				September				October					November				December				January					February				March			
		1	2	3	4	1	2	3	4	5	1	2	3	4	1	2			3	4	1	2	3	4	1	2	3		4	1	2	3	4	5	1	2	3		4	1	2	3	4		1	2	3	4		5	1	2	3	4	1	2	3		4
None																	JAGC											JAGC									JAGC								Shutdown						JAGC								JAGC
SODC																																																									
None																																																									
VWHDC																																																									
None																																																									

Joint Audit and Governance Committee

Report of Internal Audit Manager

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To: Joint Audit and Governance Committee

DATE: 11 January 2021

Internal Audit Revised Sampling Approach

Recommendation

That members note the content of the report

Purpose of Report

1. The purpose of this report is to provide a summary of the proposed changes to internal audit sampling methodology and practices.

2. The contact officer for this report is Richard Green, Interim Internal Audit Manager for South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC), telephone 01235 422430

Strategic Objectives

3. Delivery of an effective internal audit function will support the councils in meeting their strategic objectives.

Background

4. At the September JAGC meeting, the Housing Benefits & Council Tax Reduction Scheme (HB & CTRS) 2019/20 audit report was presented to the audit committee.

5. Members noted that a high percentage error rate (37 per cent) in the joint overpayments testing (Recommendation 3), and therefore raised the following concerns to the internal audit manager:

    I. Limited information had been documented in the audit report and recommendation wording in relation to the sampling approach (i.e. random versus judgemental selection);

    II. Limited information had been included in the recommendation on the total financial value of the errors identified; and

    III. Additional sampling had not been performed despite a high error rate percentage in the sample results.

6. Actions have been taken by the internal audit manager to address member concerns raised in relation to the HB & CTRS 2019/20 overpayments testing. Further testing was undertaken using a random sample approach and no further issues were identified. The report has since been updated to reflect this work and is presented to the audit committee as part of the Q3 internal audit activity report in January 2021.

7. Following the concerns raised, the internal audit manager in discussion with the interim head of finance acknowledged that a review of current internal audit sampling methodology against recommended best practice would be beneficial.

Work Performed

8. A review of internal audit sampling best practice was undertaken, and the following was noted:

    - The International Standard of Auditing (UK) defines sampling as 'The application of audit procedures to less than 100 per cent of items within a population of audit relevance such that all sampling units have a chance of selection in order to provide the auditor with a reasonable basis on which to draw conclusions about the entire population.

    - Audit sampling is important as it assists internal auditors to gather sufficient and appropriate (Standard 2310) audit evidence to make a professional judgement, express their opinion and a reasonable basis to draw conclusions (Standard 2320) without the need to check 100 per cent of transactions/data when undertaking audit testing as part of their fieldwork.

    - There is no set guidance on what audit sampling method should be undertaken by an internal auditor (i.e. statistical versus non-statistical or judgmental). However, it is vital for the internal auditor to ensure that the sampled items represent the total population, whilst balancing the sampling selection method used to minimise human judgments and avoid bias from the internal auditor.

- An analysis of actual errors detected in the sample should be performed to determine whether additional testing is required.
- Whatever sampling method is used, what is ultimately determined as an 'acceptable error rate' will depend upon the internal auditor's judgment of the significance of the errors and, to some extent, the risk appetite of the organisation under review.

Conclusion

9. Audit sampling is a vital tool in the testing of systems and processes and the results give credibility to the work of internal auditors. Both statistical and non-statistical sampling allows audit conclusions regarding an entire population to be drawn from the analysis of a fraction of it.

10. The internal auditor should use the testing technique that is suitable for the specific audit under review and for the sample objectives to be achieved.

11. Based on the above work performed, it is concluded that the internal audit sampling methodology should be reviewed and updated. The following revisions have been made to internal audit procedures:

    I. When selecting a sample, the internal auditor should use a mixture of both statistical and non-statistical (judgmental) sampling (i.e. high value, looks odd, aged item etc.), which is deemed most appropriate for the audit topic and audit objective under review.

    II. The internal auditor should document the sampling method within the audit working papers. When non-statistical (judgmental) sampling is used, the internal auditor should include the basis/judgment for selection (i.e. significantly aged). Where statistical sampling is used, the internal auditor should use a random sampling tool and document the sample results obtained from the sampling tool within the audit working papers.

    III. Where it is deemed by the internal auditor that a significant error rate has been identified, the internal auditor should consider performing additional statistical sampling.

    IV. The internal auditor must document the following information in an audit recommendation:

        - Sampling method;
        - Number and value of errors identified; and
        - Additional testing results. If a high error rate is identified in the initial sample, but additional sampling has not been performed, the internal auditor should document the basis for this decision.

Financial Implications

12. There are no direct financial implications arising from this report.

Legal Implications

13. There are no direct legal implications arising from this report.

Risks

14. None identified but identification of risk is an integral part of internal audit work and the internal audit sampling approach contributes to the assessment of risk in all audits.

Other Implications

15. None

Conclusion

16. Internal audit procedures have been updated to reflect the revised sampling approach documented in this report.

Joint Audit and Governance Committee

Report of Interim Internal Audit Manager

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To: Joint Audit and Governance Committee

DATE: 26 January 2021

Internal Audit - Progress Report – Grounds Maintenance In-Sourcing

Recommendation

That members note the content of the report

Purpose of Report

1. The purpose of this report is to provide an update on the assistance given to the Grounds Maintenance In- sourcing Project as this has now completed Phase 1.

2. The contact officer for this report is Richard Green, Interim Internal Audit Manager for South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC), telephone 01235 422430.

Strategic Objectives

3. Delivery of an effective internal audit function will support the councils in meeting their strategic objectives.

Background

4. The aim of the project was to in-source the Grounds Maintenance and Public Convenience cleaning which had previously been undertaken by contractors.

5. Internal audit agreed to assistance and review of the project to establish whether internal controls are in place for new and existing processes, and that they meet the requirements of internal policies and procedures.

6. The key areas that were agreed for review were HR, procurement, legal, property and vehicle management, asset management, performance monitoring.

Work Performed

7. Internal Audit attended project meetings to gain assurance that advice was appropriately sought from Legal, HR and Procurement teams where required.

8. It was agreed that the main area where internal audit could add value in this project was in supporting the team to create procurement procedures.

9. A procurement procedure document was drafted, which covers the various procurement activities that the team will be undertaking initially and on an ongoing basis. Much of this procurement activity follows the councils' standard procurement routes, therefore, existing guidance is referred to where applicable.

10. As no council policy or procedures are in place for the use of procurement trade cards, a draft detailed procedure has been compiled for the team to use. These are considered to be robust and proportionate, although there are some actions/decisions that the team need to take to complete them.

Key Findings

<u>Specialist advice</u>

11. From the project meetings attended, it was confirmed that guidance and advice has been appropriately sought on specialist matters from Legal, HR and Procurement and in a timely manner.

<u>Trade cards:</u>

12. At the time of review, trade card accounts had not been set up specifically for the ground's maintenance and public convenience teams. As an interim measure, the two public realm trade cards are being used by both teams.

13. As mentioned above, draft procurement procedures have been compiled, which address the following key risks in the process.

    - Segregation of incompatible duties (requesting, ordering, goods receipting and payment)
    - Advance approval of purchases, assisting in management oversight of purchasing spend
    - Misappropriation of goods
    - Formal audit trail to record the end-to-end purchasing process, through to allocating stock to work orders/jobs
    - Adherence to the councils' financial procedure rules.

14. Concerns were raised to internal audit about using these procedures in practice. The main concern is in relation to the cost implications of not issuing officers with a trade card, in order to physically order/collect goods in store as and when required (i.e. waiting for approval and ordering of trade card purchases from the GM/PC team leaders/trade card holders).

15. As the service has just come back in-house, there is insufficient information available on the frequency, volume, value and type of goods that will need to be purchased via trade card. As such, it's not possible to determine whether the procedures will meet the needs of the team day-to-day.

Consumables

16 From review of the standard PO procurement process (primarily via Jewsons and Screwfix) for the purchase of consumables, the following risks were identified:
   - Officers can purchase and collect goods in store by simply referencing the council's blanket PO number. There are no controls in place to limit the volume/value/type of goods the officer can order and collect in store as Jewson/Screwfix are unaware of the council's PO limit and there is no pre-agreed 'shopping list' with the supplier. This may limit management oversight of procurement spend and does not always ensure that purchases are approved by an authorised individual in advance.
   - Blanket PO's must be regularly raised when the limits have been reached, which increases administrative effort when compared to bulk supplier orders made in advance.

Stock management

17 At the time of review, the team had not yet reviewed the stock management processes and procedures required for grounds maintenance and public conveniences.

Recommended Actions

18 It is recommended that a number of actions are taken in order to continue the work carried out so far.
   - With support from the procurement team and approval from Finance, continue the work to set up trade card accounts for use solely by the grounds maintenance and public convenience teams.
   - Establish a process to formally record trade card purchases against work orders/jobs in the appropriate system.
   - Over the next 3-6 months, keep a formal audit trail/log of the frequency, volume, value and type of goods that require purchasing via trade cards. Review internally how the adoption of the trade card procedures is working for the team on a day-to-day basis.
   - With support from the procurement team, investigate the use of suppliers other than Jewsons/Screwfix for the procurement of consumables, with the aim of providing a longer term solution, which minimises the risks identified.
   - Continue with the work to review stock management processes and procedures for both grounds maintenance and public conveniences.

Next Steps

19 Based on the above work performed and findings raised, it is recommended that the following steps are taken:

- Internal audit to support the team by undertaking a ‘part two’ to the consultancy project. The focus of this part will be to assist in drafting stock management procedures and processes, reviewing progress against key findings from part one, along with a review of any other areas the team would find beneficial (e.g. a review of processes in place 3-6 months from the service coming back in-house).
- Internal audit to undertake a planned assurance audit during 2021/22, which will look at the grounds maintenance and public convenience operations when fully up and running. This will be included in the 2021/22 annual internal audit plan, the timing of which can be discussed and agreed

Financial Implications

20 There are no direct financial implications arising from this report.

Legal Implications

21 There are no direct legal implications arising from this report.

Risks

22 None identified

Other Implications

23 None

Conclusion

24 Internal audit has assisted in the project as agreed and will continue the involvement and assistance with Phase 2.

Joint Audit and Governance Committee

Report of the Head of Corporate Services

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To: Joint Audit and Governance Committee

DATE: 26 January 2021

Corporate risk review

Recommendation

That the Committee undertakes a half yearly progress review of the corporate risk registers as outlined in the risk management strategy.

Purpose of the review

1. This is the half yearly progress review of the corporate risk registers for South Oxfordshire District Council and Vale of White Horse District Council. This review follows on from the joint audit and governance committee report in July 2020.

2. The contact officers are Yvonne Cutler Greaves, Assurance Team Leader and Allison Holliday Risk and Insurance Officer for South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWDC).

Strategic Objectives

3. Openness and accountability in South Oxfordshire and Working in an open and inclusive way in the Vale of White Horse

Background

4. The corporate risk registers attached have been compiled as outlined in the risk management framework and reviewed and updated with individual Heads of Service and have considered the ongoing impact of Covid 19 on the councils' operations. These are included where relevant in the attached.

5. There are a total of 46 risks (52 last report) on the South Oxfordshire District Council corporate risk register and 47 risks (53 last report) on the Vale of White Horse District Council corporate risk register.

6. The top 10 risks are shown below:

Rank	Risk ref South/Vale	Description
1	2/2	IT Cybersecurity breach
2	15/15	Failure of third-party contracts (merged with risk 33/32) and council non compliance with contractual obligations results in inefficient operations, financial penalties and loss of reputation
3	50/51	Loss of council revenues and increased council expenditure will result in council deficits going forward and inability to progress key projects (Covid 19)
4	11/11	Failure to fulfil the data protection legislative requirements
5	9/9	Failure to have an effective health and safety management system in place
6	59/61	Failure to effectively manage concurrent events (Covid 19/adverse weather/Brexit and election)
7	51/52	Failure to effectively manage the response to Covid 19 both during the incident and after as part of recovery
8	7/7	Poor staff morale, wellbeing and personal security
9	58/62	Data security compromised due to remote working
10	49/50	Third party BCP is not fit for purpose

7. Five risks in Vale and Four in South have increased their score since last reported in July 2020:

Risk ref South/Vale	**Description**
42/41	Customer engagement and managing perception
45/44	Brexit may impact economic viability of the districts
Vale 13	Failure to adequately manage council finances to consider reduction in central government funding
32/28	Failure to secure redevelopment at key council owned sites
7/7	Poor staff morale, wellbeing and personal security

8. Four risks have reduced their risk score since last reported in July 2020:

Risk ref South/Vale	**Description**
4/4	Incident at council offices and office security (merged)
34/33	Failure to provide suitable council office accommodation that is fit for purpose on time
19/18	Failure to capitalise on national initiatives to benefit the districts
53/54	Lack of clarity and transparency from central Government on allocation of business/discretionary grants

9. There are four new risks for South Oxfordshire District Council and Vale of White Horse District Council:

Risk ref South/Vale	**Description**
59/61	Failure to effectively manage concurrent events (Covid 19/adverse weather/Brexit and election)
58/62	Data security compromised due to remote working
57/59	Failure to manage the statutory deadline to review the statement of licensing policy by Jan 2021

59/60	Lack of clarity around roles and responsibilities for property maintenance and statutory inspections across service teams

10. Two risks have been successfully mitigated and completed:

Risk ref South/Vale	**Description**
28/29	Lack of clarity on the procurement process
56/57	Dealing with Covid 19 and all staff remote working may cause delay in council decision making

11. Covid 19 council response. The Assurance Team Leader is present at all the triage meetings recording the risks and mitigations. There are monthly reviews both at triage and SMT to ensure due diligence and to support the councils' decision making. The Covid 19 council response risk register is attached to this report.

Financial Implications

12. There are financial implications attached to managing the risks outlined in the corporate risk registers, and risk owners are responsible for ensuring costs of mitigation are proportionate to the risk exposure.

Legal Implications

13. None.

Risks

14. Risk identification is an integral part of this progress review.

Other Implications

15. None

Background papers

Attached:

- Corporate risk register South Oxfordshire District Council Jan 2021 V.5
- Corporate risk register Vale of White Horse District Council Jan 2021 V.5
- Council response to Covid 19 risk register V.013

Risk rating:

- Limited /no assurance/critical
- Satisfactory assurance/risks
- Full/substantial assurance /risks

KEY SODC Strategic objectives

Sa	All
Sb	Protect and Restore our Natural World
Sc	Openness and accountability
Sd	Action on the climate emergency
Se	Improved economic and community well-being
Sf	Homes and infrastructure that meet local needs
Sg	Investment that rebuilds our financial viability

r - South Oxfordshire District Council

Risk No/Ref	Strategic objective ref	Risk category	Risk description / consequences	Gross risk rating	Risk owner	Mitigation actions	Action owner	Net risk rating	Tolerable Y/N	Further mitigation actions if required	Review by when
2	**Sc**	**Technology security**	**IT Cybersecurity breach due to inadequate security protection and naïve user behaviour**. May lead to the council systems being hacked, resulting in the council being unable to operate effectively and securely and subject to loss of reputation as well as financial loss.	**9**	James Carpenter	CAPITA information security infrastructure provides continuous updates of security software, firewalls and patches. Information security group regularly meets to discuss issues and mitigation actions. Cybersecurity awareness campaign to raise awareness of employee responsibilities to mitigate against data security issues. The risk and insurance officer along with risk champions review council risk exposure and mitigation actions. An information governance officer and data protection officer have been appointed. Roles and responsibilities to be defined going forward. LGA funding secured to train a key IT manager in the certificate of Cyber security (CISSM/P) Cyber working Group set up Gary Carey Leading with input from IT, R&I, and Data protection Officers. The group will work together on actioning the recommendations from the recent data security internal audit.	Simon Turner/Lee Brown	**8**	**Y**	The new campaign summarising key messages from 2018 to include regular real time news items on Jarvis outlining actual incident; e mail phishing exercises and training were delayed due to elections and has been superseded by an 'In house' Monitoring Group which will review training provided on the councils new learning management system as well as a comms campaign to raise awareness. Devise a cybersecurity incident plan across the councils.	**Jan-21**
15	**Sc and Se**	**Contract/Procedural**	**Failure of third party contracts to deliver acceptable levels of service** causing Councils to not comply with their contractual obligations and Inconsistent approach to third party contract monitoring results in reduction of service provision inefficient operations financial penalties and increased costs. (Merged risks 15/33/10)	**8**	Mark Stone	Constant review of contractors financial viability. Contractors have been unable to operate therefore loss of revenue may impact their future financial viability. All service team Business resilience plans review supplier and contractor resilience on a regular basis. Identify the right people to set up a degree of transparency with regards to performance levels. Set up a review and reporting process. Review contractual obligations and revisit contracts. Management structure includes HOS and service management reporting on contract KPI's.	HOS	**5**		Possible central contract monitoring group linked to SMT to review quarterly. Provision of effective contract monitoring training for staff	**Jan-21**

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Agenda Item 10

50	Covid	Finance	**Loss of council revenues and increased council expenditure** will result in council deficits going forward and inability to progress key projects.	8	Mark Stone	Review expenditure and revenue trying to maintain business as usual across services. Ensure Council tax DDs are operational. Monitor government initiatives for local government support and finance. Finance team keep watching brief on expenditure via spreadsheet and undertake impact assessment. UPDATE OCT 2020. Review budgets and funding available from other sources such as Govt Initiatives. S151 Officers across Oxfordshire meet regularly to discuss collective impact. To enable monitoring, the Business Resilience Plans for all service teams will have a finance tab to facilitate efficient collection of this data for finance once they have given a steer on the type of information required. **These plans are regularly reviewed**	Simon Hewings	7		Keep watching brief to enable revenue collections at earliest opportunity once the current restrictions are eased, support revenue creating service through lockdown. Continuously monitor expenditure to better understand the short, medium- and long-term financial exposure. Agree a revised budget in Autumn 2020 or when restrictions are lifted.	**Jan-21**	3
11	Sc	**Procedural/ regulatory**	Failure to fulfil the **Data Protection legislative requirements** may result in fines and reputational damage if data is breached or a challenge is made	8	Adrianna Partridge (DPO)	Information Governance and Data Protection role provides dedicated support to all teams as well as work to develop/review the corporate framework and all relevant policies. Close liaison with Legal on data sharing agreements. Additional temporary Information Governance Officer post appointed until end March 2021 to support this work. DPIAs undertaken on all new processes and DPO advice sought on all new projects. Data protection training for all staff on LEAH. Internal Audit of Data Protection satisfactory assurance. A new member of staff has been recruited to work on ROPA.	Sally Truman/Sandy Bayley	6	Y	Constant monitoring of legislative tests. Continue work to ensure that all DP polices are in place and up to date, including current work to review the ROPA. Ensure a consistent approach to records management, including retention policy across the councils. Write a new retention policy records management policies across the councils, review third party contractors and contracts to ensure requirements for processing personal data processing policies are accurately recorded, ensure DPIAs carried out of all new processing. Keep up to date with guidance from the information Commissioner. Review council systems namely Ocella to ensure personal data is removed from the system either automatically/manually.	**Jan-21**	4
9	Sc	**Procedural - Health and safety**	**Failing to have an effective health and safety management system in place** where, in some cases concerns and areas of non-compliance raised have not been acted upon because managers have been unable to gain the resources and support required to take mitigating action. This could result in: a fatality, illness or injury to staff or anyone else affected by our business; damage to property; legal action by HSE; civil claims and increased costs.	8	Mark Stone	New Health & Safety team comprising one senior advisor and one advisor in place. Health and safety policies are reviewed and updated every 3 years or when there are significant changes. Managers are briefed on H&S through OMG meetings, Connect or updates on Jarvis, mandatory health and safety training is provided to employees, managers and senior management every 3 years. Fundamental review of Health & Safety management system undertaken and action plan developed, which has been agreed by SMT and JAGC, including the principle of a Corporate Landlord Model for properties. Quarterly reporting to SMT re-established. Health and safety audit programme in place and internal audit provide governance, challenge and oversight. Close working and joint reporting between Health & Safety, Risk & Insurance to enable risks to be proactively managed. H&S action plan and approach approved at SMT. New H&S policy v006 approved at SMT . KPI measure agreed. Continue to support Council staff and operations with Covid 19 activity risk assessment reviews. COVID 19 UPDATE Home DSE checks undertaken and support given to those requiring additional DSE H&S Equipment in order to work from home (WFH). Refer to Covid 19 risk register.	Adrianna Partridge/James Carpenter	6	Y	Continue to work on the SMT approved H&S action plan to ensure a health and safety strategy is being developed which allows for: • Adequate allocation of resources for health and safety. • Commitment from the 'top' • Raising the profile of health and safety within the councils • Reviewing membership of the HSRB and the terms of reference of this group • Closer working with service managers to effectively raise risks to CE/HoS's either for them to action or accept. Working to develop all Health & Safety policies and Health & Safety training for all staff . Work with Property team to support the introduction of a Corporate landlord model across the councils.	**Jan-21**	5
59	Sc		**Failure to effectively manage concurrent events in 2020/2021 (Covid 19/adverse weather/Brexit and elections**) may result in the council not fulfilling its statutory duties and may result in fines and poor levels of customer service.	8	Adrianna Partridge/Mark Stone/Suzanne Malcolm	Regular meetings across Oxfordshire to ensure joined up working. Regular BRP updates and scenario planning.	HOS	5	Y	Keep watching brief	**Jan-21**	6

51	**Covid**	**Resources**	**Failure to effectively manage response to covid 19** both during the incident and after as part of recovery, impacts our staff and residents through increase in infection rates or poor delivery of services.	**8**	Mark Stone	Regular Covid 19 triage meetings. Gold, silver and bronze command structure at county and national level. Key SMT members on silver works streams. Regular risk assessments/H&S assessments and DSE assessments. Recovery working group set up to manage all aspects of return to work. SMT policy currently not to return to work. UPDATE 2020 Govt advise is for all staff to continue to work from home whenever possible. SMT support this . The EP team are now undertaking pan Oxfordshire test and trace visits with appropriate PPE and guidance. Two Covid marshals have been recruited to advise and guide residents and businesses in Covid safe activities. Ongoing effective management of Business Recovery Plans, working practices and ongoing communication. Draw up plans which enable social distancing throughout offices and other workplaces across the council. Ensure Business Recovery Managers communicate business recovery plans and work with all service managers on the proposed return to offices or alternate working arrangements.	Adrianna Partridge	**5**		Districts may be required to help identify sites for local testing units (LTU)and mass vaccinations as well as resourcing these sites in the near future. Keep watching brief at TVLRF TCG and other bronze/silver and gold meetings.	**Jan-21**	7
7	**Sc**	**Resources personal security**	**Poor staff morale, wellbeing and personal security** due to increased workloads, levels of abuse from residents on social media and at meetings as well as uncertainty over restructure, may result in stress leading to increased absence and low staff retention rates, with subsequent work load pressures and increased cost implication to plug the resource gap by recruiting contract staff.	**8**	Adrianna Partridge	In-house HR support available to all members of staff if required. The leisure team communicate community activities for staff to be involved with. The wellbeing group are in place to consider ideas / activities for staff wellbeing. Thames path initiative run via the wellbeing group. Staff survey completed. Annualised hours being managed directly by Line Managers. Due to Covid 19 gross risk rating increased to red 7 due to prolonged remote working. which may lead to stress and anxiety. Pulse surveys being undertaken to review how staff are feeling on a fortnightly basis and inform SMT on how to manage wellbeing as a result. HR to support, as required. Team leaders and Mental Health First Aiders to be available to support by signposting to appropriate agencies. Encourage regular work catch ups via virtual meetings as well as wellbeing coffee meetings .UPDATE OCT 2020 Continue to encourage employees to take wellbeing breaks, communicate with colleagues and speak to line managers if feeling overwhelmed. Wellbeing groups have met and put together an action plan to take forward into new year via SMT.	James Carpenter	**6**	**Y**	The staff survey has been completed results released alongside the pulse survey results, SMT reviewing and action plan will be put in place. HR actively engaging with wellbeing group. Regular comms encouraging breaks, flexible working, conversations etc.	**Jan-21**	8
58	**Sc**	IT Security	**Data security compromised due to remote working,** which may result in data breach and fines/loss of reputation	**8**	Adrianna Partridge	Regular monitoring and review at triage and SMT. Capita monitoring network for unusual activity and reporting to councils Action recommendations from security audit regard staff behaviours and awareness particularly during remote working. Update Jarvis pages etc	All Service Managers	**5**		Continue to monitor and increase awareness throughout the year.	**Jan-21**	9

49	Sc	Technology	**Third party BCP is not fit for purpose** and may result in poor customer service and loss of council reputation if there is failure of IT infrastructure.	8	James Carpenter	Paul Merrick is reviewing the IT Business continuity Plan across 5CP. During Covid 19 regular Capita calls took place to resolve IT issues in an ongoing and collaborative way. Net risk moved down to 6 as all issues are being managed well during Covid 19.Embed revised Business Continuity Plans/Business Recovery Plan arrangements across all council service teams .	All Service Managers	6			**Jan-21**	10
58	Se	Finance	**Failure to prevent fraud when managing test and trace isolation grants** thereby risking loss of revenue and reputation. The government has provided funds to the council to distribute to residents who have been ordered to stay at home and isolate by the test and trace regime. Those who cannot work are eligible.	7	Simon Hewings	Ensure that the criteria and processes specified by the Government are strictly followed. There are three main types of pre-payment checks. This includes checking that an applicant: has been formally instructed to self-isolate by NHS Test and Trace. is receiving one of the qualifying benefits. Has provided the necessary evidence, such as a bank statement or a self-assessment return if they are self-employed. Government software tools, NHS eligibility checker and Searchlight are being used by officers and post payment fraud checks are being undertaken. Conduct post checks after payments are issued again in accordance with prescribed Government guidance. This is a 10 per cent check to make sure that there is evidence of criteria being met, using searchlight and the eligibility checker	Paul Howden	5	Y		**Jan-21**	11
19	Se	Programmes	**Failure to capitalise on and influence national initiatives that benefit the districts.**	7	Mark Stone	Continue to work in partnership with others (experts) to seek new areas of potential funding, building on our successful approach to raising money to support a number of major developments in the district such as securing a housing grant deal for the district. There is an inconsistent approach to a feedback mechanism to share ideas on funding sources or comment on National Policy.	Andrew Down	5	Y	Management restructure has enabled resource to be allocated to research future funding opportunities through the Policy and Insight service area, within the remit of the service is external funding, with the objective of "We will identify and attract external funding to benefit our communities and fulfil our objectives; working to maximise inward investment into Oxfordshire". This will be undertaken via active collaboration and engagement with all our partners (Growth Board, Oxfordshire County Council and Homes England) to ensure favourable future outcomes. Review the impact of BREXIT on our rural communities (Loss of LEADER funding) and our economic communities (High St and Science Vale (Scientific experts). A framework as to how we will approach external funding opportunities is being devised by the team and will form part of their service plan. Post COVID19 Review all funding now available following lockdown.	**Jan-21**	12

34	Sc	Property	**Failure to provide suitable council office accommodation** that is fit for purpose on time resulting in poor staff morale, compromised service and loss of reputation.	7	Mark Stone	Project governance structure in place. A: 135 Eastern Ave -lease extension successfully negotiated with a get out clause of spring 2023 at the current location ongoing. B: Didcot Gateway Site has a working group split 50/50 south and vale and includes all key stakeholders ,the council portfolio holder, members and key officers. Project management will be undertaken by RIDGE. Maintaining watching brief to understand implications to other teams (elections) if delayed. Project risk register reflects covid impact including supply of materials and therefore delay in construction. Maintain a watching brief via project governance. DIDCOT GATEWAY to be a scaled down post covid business premises. Staff survey sent out for completion by 26 OCT	Adrianna Partridge/ Ben Coleman	6	Y	Continuous review of performance through project board and reporting. As long as the programme remains on target with continued strict governance, clear leadership by officers and identified cabinet member the risk is reduced to 6.	**Jan-21**	13
12	Sc	Procedural	**Poor/inconsistent programme and project management**, inconsistent utilisation of tools and expertise across the councils resulting in poor delivery of projects, not realising the full benefits and understanding the risks and dependencies across the councils.	7	Adrianna Partridge./ Head of Policy and Programmes	Policy and programmes team have coordinated a programme and project management framework (CDF) as part of the corporate delivery framework which includes a projects database and gateway approval process for governance and oversight.	Ben Coleman	5	Y	The CDF is in the process of being reviewed to seek to optimise it's efficiency and investigate options for improvement. The review process involves a questionnaire asking all staff for their ideas for potential improvements to the CDF system. Feedback from staff will be considered by the CDF working group and appropriate amendments to the system will be recommended to SMT and feedback provided on all suggestions to staff and the JAGC. Review in Jan 2021.	**Jan-21**	14
52	Covid/Se	Finance	**Failure to prevent fraud when managing business grants** thereby risking loss of revenue and reputation. The government has provided funds to the council to distribute to businesses, either by government rules (the initial small business and retail, hospitality and leisure schemes, and the later discretionary grant fund).	7	Simon Hewings	Ensure robust processes are in place and used to detect fraudulent or multiple applications. The cabinet office made available a toolkit for local authorities to access to help prevent and detect fraud for the grants called Spotlight. Both councils registered for this tool before the online grants opened. The tool is a check on any limited companies, partnerships or registered charities and works alongside companies house. As Spotlight only checks limited companies and not sole traders, officers also check that the bank account applicants were requesting the grant to be paid into was the one the business rates system held. If it wasn't then further enquiries were made and proof of the account was requested to ensure it belonged to the company and not an individual's own account. Post checks are being conducted after the payments are issued to ensure they were correct, which includes further Spotlight checking if the company couldn't be found initially along with basic due diligence checks. At the end of April the cabinet office and the national anti-fraud network (NAFN) made available a tool for checking sole traders. We also registered for these. As they require consent we have ensured the declaration on our application forms reflects this. Officers are therefore able to use Spotlight and the new sole trader tools for checking all of the companies that apply.	Paul Howden	2/3			**Jan-21**	15

38	Sc	Democratic process	**Failure to deliver a major election in accordance with our statutory requirements,** results in reputational damage and costs to re - run an election.	8	Margaret Reed	Preparation for the PCC elections which were to be held on the 7 May 2020 , followed by VE day bank holiday had commenced. Postponed due to Covid 19. Project planning and risk registers tailored to specific election requirements, which are reviewed and updated. Delivery is monitored on a regular basis as and when appropriate. Successfully delivered three elections within short timeframe. Net risk green reduced form 6 amber to 2 green. POST COVID 19 PCC elections and one neighbourhood plan referendum delayed until 6 May 2021 due to COVID 19 and will now coincide with the county council elections scheduled for that date, along with any district/parish by-elections and neighbourhood plan referendums the returning officer agrees to hold on that date.	Steve Corrigan	5	Y	National funding available for PCC election and the county council will meet the cost of their elections. The plans are regularly reviewed and monitored. Prepare a comms plan to aid recruitment and communicate key messages to electors and review progress. A dedicated election project team set up to constantly monitor IT support, resourcing and implications of Covid escalating any issues through the project governance arrangements and project risk register. Will need to implement any necessary social distancing and other Covid secure measures at polling stations and counts. Keep watching brief on polling stations site usage for Covid LTU and vaccinations build in site contingency.	Jan-21	16
3	Sc	Technology	**IT infrastructure not supported** with no back up or BCP (no separate WAN line from this building) and insufficient IT hardware and software licenses to support employees to undertake council activities, may result in poor customer service and loss of council reputation.	8	James Carpenter	5CP and council Business Continuity Plan arrangements to mitigate against IT infrastructure failure. IT infrastructure lead has been recruited and is working on all elements of IT infrastructure. Reduced net risk rating due to covid 19 response and all staff working form home with few issues.	Lee Brown Simon Turner Yvonne Cutler Greaves	5	Y		Jan-21	17
32	Sc Se Sf	Property	**Failure to secure the redevelopment at key council owned sites in the district** and capitalise on new building and refurbishment programmes may result in increased costs, a decrease in reputation and loss of potential funding from the redevelopment (merged with risk 20). Impact of Covid on marketability of projects and viability will be an added pressure on some of the proposed projects.	7	Emily Cockle	Strategic property review underway by an external strategic property consultant to include site redevelopment opportunities ongoing. Strategic Property Advisor appointed (James Moore) is working to review Council benchmarking and options available by Dec '20 with Cushman and Wakefield supporting the work. Review number of staff to enable this work to continue. POST COVID 19 Timescales may change resulting in increased cost resulting from further deterioration of existing assets. Review work plan and schedules in light of information coming from suppliers and contractors to ensure assets and sites do not deteriorate over the short/medium term. Maintain a watching brief. UPDATE NOV 2020. Property Manager in post. Team are in course of reviewing and revaluing wider estate.	Catrin Mathias	5	Y	Develop partnership working with all landowners and developers to ensure timely preparedness (Didcot Gateway working in partnership with SOHA/OCC).This work will continue to progress and take time to embed before resulting improvements are seen. Continue to build on partnerships to ensure best use of assets. Update NOV 2020 Didcot Gateway confirmed as new site for Council Office. Usage of the Crowmarsh site to be reviewed.	Jan-21	18
6	Sc	Resources	**Failure to manage Flexible working to respond to external factors in workforce. Embedding the management structure that is fit for purpose and flexible creates a period of change and uncertainty resulting in** staff retention issues and loss of knowledge and expertise in key areas, which may compromise delivery of the council objectives.	7	Mark Stone	Heads of Service (HoS) and Service Managers (SM's) have been appointed and are currently reviewing the structure and delivery model. Focus on succession planning to reduce risk of loss of expertise and experience. The 'Shape the service' programme has been completed resulting in HR transformation which is being implemented. A new structure has been introduced and awaits Corporate plan decision to finalise this structure. Interim South and Vale Operational Reporting lines published on JARVIS Sept 2020.	Adrianna Partridge/ James Carpenter	5	Y	Monitor progress of embedding HR transformation and structure across the council to be fit for purpose and flexible. The roll out of the new Learning Management System (LMS) LEAH will enable links with personal development plans and training requirements. Have a succession plan in place for all key team members	Jan-21	19

41	Sc	Security - resources	**Major incident in the district** - failure to adequately respond to a major incident affecting our residents may result in legal action (corporate manslaughter/environmental pollution) and loss of reputation.	6	Mark Stone/Adrianna Partridge/ James Carpenter	The council has an Emergency plan; Emergency planning officer receives and reviews daily updates from the Local Resilience Forum and Resilience Direct.	Sally Truman	6	Y	Keep up to date on latest developments in this area. Continuous revision of plans as and when appropriate. Training in Emergency planning incidents. The Emergency Planning Officer (EPO) attends OCC meetings on a regular basis to ensure joint working and understanding of R&R in an emergency incident. EPO is part of Local Resilience Forum (LRF) and receives daily updates from Resilience Direct and LRF. POST COVID 19. Review Business Recovery Plans with all teams to learn from what went well and what could be done better.	**Jan-21**	20
8	Sa	Resources	**Failure to attract and recruit staff to roles across all service teams** may result in shortage of resources to enable the council to fulfil their statutory duties and could result in a poor level of customer service.	5	Mark Stone	Strategic HR now back in house. HR transformation is being implemented. LMS (LEAH) launched Feb 2020. The Staff survey results have helped inform the next steps in continuous learning. Continue to encourage and support existing staff to apply for internal vacancies. Since Covid19 a number of have been recruited to roles virtually with procedures in place to support onboarding using an external recruitment agency who filter perspective applicants and administer the process including adverts and tests.. HR have increased their team to provide support and expertise to the councils since insourcing this year.	James Carpenter/David Fairall	5	Y	Management/Leadership team to continue to review staff cover throughout the councils. Plan for resilience for all key team members. Review and improve recruitment actioned see opposite. induction, training and development processes, where possible, to ensure we recruit, develop and retain staff. Embed the new LMS/LEAH training portal . Liaise with procurement to secure a suite of recruitment options.	**Jan-21**	21
4	Se Sc	Security - resources	**Council offices site security** insufficient at both 135 where the location of business lounge and staff entrance increases risk of intruder entering the building and Crowmarsh site where there is an increased risk of injury by intruders resulting in high Public Liability claims which may not be covered by our insurers. During closure of offices there are different sorts of security risks i.e. members of public arriving at the offices when they are closed etc, staff that are in the building feeling vulnerable etc. Reduce gross risk to amber 5 as we are WFH less risk here. Merged with risk 36: **incident at council offices or council owned building may place visitors and officers at risk** and result in increased time by management to deal with the incident and associated investigations, legal requirement and liabilities which may result in reputation loss and compromised service. During closure of offices there are different sorts of security risks i.e. members of public arriving at the offices when they are closed etc, staff that are in the building feeling vulnerable etc	5	Adrianna Partridge/Suzanne Malcolm/ James Carpenter	At 135, security has been reviewed and recommendations made to reduce tailgating at the business lounge doors. A new disabled access point separate from the main access point has been instigated to reduce likelihood of tailgating through automatic doors. UPDATE OCT 2020 Security at 135 reviewed as now closed due to Covid 19, a series of protocols are in place and rooms allocated for visitors and regular skeleton staff. Ensure that there is always more than one person on site and that they aware of the security protocols which have been instigated. Additional signage has been put at entrance to confirm building is closed to public. Regular perimeter checks by MEPC security staff 24/7 . CCTV. The council has an Emergency plan; and crisis response plan together with a dedicated Emergency planning officer. Incident policy and plans under continuous review with regular updates via the Local Resilience Forum (LRF) and Resilience Direct which the Emergency officer communicates latest updates, where relevant, setting up meetings when required to ensure all elements are covered. Review Security and COVID 19 safety measures in place for staff whilst council owned buildings are used for various purposes relating to Covid19 Response. CORNERSTONE: Review Security in place by Property Team for staff whilst building is being used for food parcel operations during Covid 19.	HOS	5	Y	Keep up to date on latest developments in this area. Continuous revision of plans as and when appropriate. Training in Emergency planning incidents. Testing the plans including Lockdown procedures. Post COVID 19 Review Emergency plan following debrief with Emergency Officer	**Jan-21**	22

53	Covid/Sg	Finance	**Lack of clarity and transparency from central government on the council allocation of limited Discretionary Grants** and **Government backed business grants** to support local businesses and a failure to manage expectations as to how awards are made may result in dissatisfied applicants and loss of council reputation as well aa resulting in grants made in error contributing to loss of revenue, potential fraudulent claims and reputational risk during the lockdowns and tier system. (risk 53 merged with 54)	5	**Emily Cockle Simon Hewings**	Ensure that the process is clear and transparent with audit trails to support decision making. Clear comms on website to manage expectations as success rates may be low. Be aware of subjective bias in awards. Anti fraud checks are made to best of ability with information available as these will be small businesses giving councils no recourse to companies house information. Declaration to be signed before release of funds to avoid fraudulent uptake of state aid. Support and signpost unsuccessful applicants to alternative funding support. Advise council as to how best to manage reputational risk if choice is to go with non evidence based criteria. Ensure robust processes are in place and used to detect fraudulent or multiple applications. The cabinet office made available a toolkit for local authorities to access to help prevent and detect fraud for the grants called Spotlight. Both councils registered for this tool before the online grants opened. The tool is a check on any limited companies, partnerships or registered charities and works alongside companies house. As Spotlight only checks limited companies and not sole traders, officers also check that the bank account applicants were requesting the grant to be paid into was the one the business rates system held. If it wasn't then further enquiries were made and proof of the account was requested to ensure it belonged to the company and not an individual's own account. Ensure robust processes are in place and used to detect fraudulent or multiple applications. UPDATE NOV 2020 The Economic Development team are currently administering a new batch of discretionary grants to reflect the current lockdown period from 5 Nov to 2 Dec 2020. We have received a healthy take-up of applications to date and are processing these efficiently.	Paul Howden/ Mel Smans	5		Further resourcing required to manage the payments in the ED team.	**Jan-21**	23
24	Sa	**Customer service**	**Failure to maintain a consistent standard of customer service results in** stagnant customer service initiatives and long term service reduction and thus reputational damage.	5	James Carpenter	A new service team 'Customer Assurance ' encompasses internal and external customer services. Regular monitoring of quality of in house customer service and of the switchboard service provided by Capita. Monitoring of complaints and follow up/learning. A new community hub structure has been set up to help support our local community during the medium/long term recovery from Covid 19.	Sally Truman	5	Y	The Customer Assurance team to coordinate performance measures linked to both service plans and the corporate plan (part of the Performance management framework project currently underway) Develop a customer services strategy to encompass all our customers to include residents; staff; councillors and third parties - expected to form part of the customer services transformation review.. Post COVID 19 . Manage Customer expectations re Councils duties to residents following the increase in support provided by Community Hubs.(Risk 24 and 41 link)	**Jan-21**	24
23	Sf	**Planning**	**Lack of informed and consistent decision making across the councils** will result in slow/non adoption of local plans, more planning appeals losses, increased costs, loss of infrastructure funding and loss of council reputation. Didcot Garden town: Significant funding estimated at £612m is needed to deliver projects identified in the adopted delivery plan, failure to realise this future funding to expand/expansion delayed due to planning decisions may result in loss of reputation to deliver such projects for the community (separate risk register).	5	Adrian Duffield	Continue with Councillor training and support . The Heads of Service, section 151 and monitoring officers inform and advise relevant councillors on consequences and impact of planning decisions and legal, financial and policy implications of decisions. The council has a 3 year land supply as stipulated by the government. Won't be able to fully mitigate until Souths Plan is adopted. UPDATE 09/03/2020 Decision received 3/3/20 and plan progressing as directed by the Secretary of State. Virtual Local Plan meetings have been held and are ongoing to scrutinise local plan by planning inspectorate. Councillor training has been temporarily on hold due to Covid 19.The programme will be reviewed in the Autumn 2020. OCT2020 Virtual training being put together with training giving an overview of the planning process and CIL already delivered. Training for Planning Committee, on Enforcement and Neighbourhood Planning is being planned.	Adrian Duffield	5	Y	Maintain a consistent approach to briefing councillors on legal, financial and policy implications of making planning application decisions. Train Committee members and cabinet members on the planning process and implications and consequences of planning decisions in the local and national context. Provide support to parishes with regular updates and communications on reasons for planning decisions in the local and national context. Work with the consultation and customer engagement team to improve communication with local residents and parishes.	**Jan-21**	25

18	Sf	Programmes	**Didcot Garden town: Significant funding estimated at £612m is needed to deliver projects identified in the adopted delivery plan,** failure to realise this future funding to expand/expansion delayed due to planning decisions may result in loss of reputation to deliver such projects for the community (separate risk register).**Failure to deliver Berinsfield development due to lack of funding or inability to release land to purchase for development** results in council loss of reputation and financial backing. Project is impacted by NICS.(see separate risk register).	5	Emily Cockle	Project manager successfully recruited and in post. The team is being resourced with temporary project support, whilst full job evaluation roles are undertaken for the wider team structure. SMT agreement to procure additional support through the Homes England Multidisciplinary Technical Framework. The new Garden Communities team will bring DGT, Berinsfield and Dalton Barracks projects together. This joined up approach will reduce risk as the expertise will be shared across all 3 projects. See Risk 16 (Line 44). Production of a Develop Planning Policy (DPD) for Didcot Garden Town. HIF Bid Funding agreement for £218m has been fully executed between OCC and Homes England have completed. Adoption of South Local Plan will support securement of HIF funding as part of the Growth Deal requirements. DGT manager is working with finance and legal to identify a funding strategy and enter into an agreement with OCC for project delivery of NPR3. Officers exploring uses for the historic £1.25m of DCLG grant funding to commit to DGT initiatives in 2021/22. SMT paper in December to progress work on the vacant units at Didcot Broadway for residential and community/mixed-use provision.	Marybeth Harasz	5	Y	A £218 million HIF award was announced in March 2019. With the fully executed HIF agreement, more than 1/3 of the funding toward the total £612 million estimated implementation cost is achieved in line with the Delivery Plan time frame of 2031. The Delivery Plan is a long term vision, so an update to the plan may be appropriate. The DPD document is to be scheduled by the Planning Policy team in line with work on the local plan. The Delivery Plan is a long term vision, so an update to the plan may be appropriate.	**Jan-21**
26	Sc Sg	Property	**Lack of asset management expertise of council owned land and property portfolios** results in under investment in property across the councils, reducing the ability to maximise incomes as well as lack of understanding as to where maintenance and insurance liabilities responsibilities lie (Council/Parishes etc).	5	Emily Cockle	Validation of property records are now being undertaken by Council Officers, which will provide an up to date database of property ownership and inform an action plan for the management of the portfolio. The facilities teams work alongside the property team to enable seamless property maintenance and statutory Health & Safety (H&S) checks as required. Internal Audit have identified three areas of property: ownership/billing and H&S compliance. A full time officer has been seconded to the team to address Corporate Statutory Compliance. Corporate Landlord Model approach to be discussed with SMT on 2 December 2020. Property manager (Catrin Mathias) is leading on this initiative. In addition, SMT has recently agreed for additional support within the Property team (fixed term contracts) to support current expertise in driving forward the implementation of key initiatives.	Catrin Mathias	5	Y	Plan to establish a corporate property management model. Reinstate asset management group meetings to review ongoing issues and future strategies. Put in place a policy to allocate Cil/Sec 106 funding ensuring all key service teams in the council are informed (insurance/property/parks/arts etc) and thus enable allocation of this funding.	**Jan-21**
59	Sa		**Lack of clarity around Roles and Responsibilities for property maintenance and statutory inspections across service teams** pending the introduction of a corporate landlord model (preferred option yet to be decided) may result in failure to comply and potential injury, leading to fines loss of reputation.	5	Emily Cockle	To be mitigated with the inception of a corporate landlord model, details of which are to be decided. Paper to be submitted to SMT by end of Nov 2020 to agree a way forward. Corporate Landlord Model approach to be discussed with SMT on 2 December 2020. Property manager (Catrin Mathias) is leading on this initiative. In addition, SMT has recently agreed for additional support within the Property team (fixed term contracts) to support current expertise in driving forward the implementation of key initiatives.	Catrin Mathias	2/3	Y		**Jan-21**
14	Sa	Community services	**Failure to maximise opportunities to realise areas of revenue growth** may impact overall future council finances.	5	**Simon Hewings**	The council engaged the Chartered Institute of Public Finance (CIPFA) to help it challenge its budgets and provide options for increasing income and reducing expenditure. The findings are being used to inform future plans for commercialisation. Section 151 Officer to retain risk as has expertise in Benchmarking .	**SMT**	2/3	Y	All Heads of Service to be vigilant in terms of new funding streams and opportunities. HoS must ensure that fees and charges relate to the budgeted cost of operating the service/scheme, are reasonably set and reviewed regularly. A proposed commercialisation strategy will be developed. Transformation team funded and now included in budget. POST COVID 19 may impact. Follow government guidance. Keep a watching brief.	**Jan-21**

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27	Se	Safeguarding	**Failure to deliver council safeguarding responsibilities** may result in loss of reputation if a safeguarding incident occurs in our districts and we have not followed the stipulated procedures and protocols of reporting.	5	Liz Hayden	Designated safeguarding officer (DSO) and deputies in place. Cases referred to DSO which do not meet the threshold can be referred to monthly Joint Tasking Meeting for multi-agency review. Oxfordshire County Council conducts a joint annual audit incorporating the standards from the safeguarding self-assessment against the Children Act 2004 (s11 audit) as well as the standards developed for Adult Services. As part of this audit we submit an annual return which is subject to peer review. The next assessment is set for March 2021.	Diane Foster	2/3	Y	Review the safeguarding policy and training delivery. Work has commenced on review of Policy and will be in place by March 2021.	Jan-21
29	Sc Sd Se Sg	Economic	**Failure to address or remove barriers to Small and Medium Enterprises (SME) growth** may result in SME's closing, moving out of the district, or not starting. This may result in a loss of potential business rates and reduced consumer spending in our market towns.	5	Emily Cockle	Tractivity system to monitor business engagement and needs. Business Information System (BIS) action plan in place. Quarterly reporting on the action plan progress. Successfully won a national award. Conducted post-lockdown survey to identify SME needs. 75 businesses agreed to participate in SODC Economic Recovery Planning. Business Intelligence is fed to OxLEP and BEIS to lobby for support for SMEs. Further review of actions based upon the feedback from the Tractivity system is ongoing. Participation in the OXLEP/ OCC initiative to secure an operator to support vacant units across Oxfordshire to secure meanwhile uses, with the view to developing more sustainable leases. New operator to be secured end of January/21. POST COVID 19 Maintain watching brief across Oxfordshire/OXLEP to mitigate impact of COVID 19 on SME's.	Mel Smans	2/3	Y	Further review of actions based upon the feedback from the Tractivity system is ongoing. POST COVID 19 Maintain watching brief on Govt guidance and direction. Opening up the High St guidance from Government. Funding to provide guidance to SME's and retail.	Jan-21
30	Sc Se Sg	Economic	**Insufficient support (including the EU funding shortfall) is provided to key research sites** including Culham Science Centre(CSC)/Hydrology base at Howbery Park so the research is not commercialised to its full potential and businesses at the site relocate out of the district, resulting in a loss of employment.	5	Emily Cockle	EU funding may not be available after Brexit, work being undertaken to ensure we maximise the Government funding through the shared prosperity fund. Continuous liaison with the key research sites. Risk remains the same. The council structure is enabling the creation of an environment to help attract funding with less silo working. Support development of new business ventures in the district. Facilitate learning from best practises outside the council and increased awareness of opportunities. Work continues pending updates re funding post Brexit.	Mel Smans	2/3	Y		Jan-21
21	Sa	Procedural/ regulatory	**Changes in legislation and government policy**, including potential creation of unitary authority or devolution in Oxfordshire may impact the operational delivery of the councils' corporate objectives.	5	Adrianna Partridge	There is sufficient notice and lead time to enable the council to set up a project team and resourcing to enable the changes. Await Government legislation on Local government; national planning framework and the Environment Bill may impact future council plans. Hold a watching brief.	Adrianna Partridge/ Michelle Wells	2/3	Y	Hold a watching brief. UPDATE OCT 2020 Maintain watching brief for govt initiatives and policy/legislative changes.	Jan-21
55	Covid/Se	Customer Service	**Failure to manage expectations as to role of new community support hub** may result in resident dissatisfaction and poor staff support going forward	5	Adrianna Partridge	Community support hub established and now fully staffed and operational for second lockdown and shielding period. Scope of the hub support dependant on central government guidance and funding which regularly changes. Dedicated comms team lead now allocated to Covid-19 support work to ensure clarify of messages through November 20 lockdown/shielding period and beyond if necessary. Team management structure and role clarity will ensure that all staff are appropriately supported. Risk assessments are documented and control measures implemented. Staff wellbeing regularly reviewed in 121 meetings.	Ben Coleman	2/3		Additional personal resilience training being sought for team.	Jan-21
13	Sc Sg Se	Financial	**Failure to adequately manage council finances to take into account reduction in central government funding** (including MHCLG grant income) results in councils inability to undertake its statutory duties at a time of increased demands (homelessness and an aging population) resulting in reduction in service level to our residents, innovative initiatives and projects going forward. Currently there is uncertainty around funding from central government which makes medium term financial planning very difficult.	5	Simon Hewings	The council has a Medium Term Financial Plan (MTFP) that will flag potential financial resilience problems five years in advance. This allows the council to determine an approach to managing future budget pressures. The MTFP is refreshed annually. The scale of any challenge will be known more fully following the government's 2021 spending review and pending government announcements on future funding streams. Funding is included for Transformation Activity 2021/22. NOV 20 Risk increased to 5/5 from 5 2/3 by Risk Owner	Simon Hewings	2/3	Y	Regular budget monitoring and annual refresh. Medium term financial plan ensures any potential risks are identified. Implement Transformation Activity Findings. Which are 1) Single Council 2)Income Generation 3) Smarter Working. Links to risk 44 (Line 53)	Jan-21

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Agenda Item 10

44	Sc Se Sg	**Policy and insight**	**New channels of revenue growth**: failure to identify new areas of revenue growth in the long term may result in the councils missing opportunities of becoming less reliant on government grants and subsidies. UPDATED COVID 19 Risk Increased from 2/3 to 5	5	SMT/HOS	SMT to horizon scan opportunities as an integral part of the regular corporate risk register review. Horizon scanning will also form part of the new service planning approach outlined in the Performance management Framework (PMF) that is coming forward in November 2020. Improve staff awareness of the need to identify opportunities for revenue growth through a staff suggestion scheme with rewards for the best adopted idea. Post Covid 19 may impact the numbers of opportunities for revenue growth .	Michelle Wells with SMT/HoS Support	2/3	Y	All HOS to be vigilant in terms of new funding streams and opportunities. Increase awareness of what markets allow in terms of fees and charges. A proposed commercialisation strategy will be developed as per further mitigation in risk 13. (line 52) POST COVID 19 Keep watching brief on Govt developments re funding via Insight and Policy – external funding function.	**Jan-21**	36
45	Sa	**Corporate services**	**Brexit may impact the economic viability** and specific services within the districts in the short to medium term.	5	Adrianna Partridge	Update paper being prepared for SMT regarding the resurrection of previous approaches to managing Brexit impacts. Resumption of regular Triage meetings proposed. Officers from Policy and Programmes are also attending LRF and County wide meetings to keep up to date with developments. BRP template prepared for Assurance team to use to obtain updates from all services. Positioning paper being taken through SMT November 2020 to confirm current position and internal working arrangements. Internal triage group re-mobilising to oversee transition period from November 2020. Ongoing BRP and Brexit reviews with concurrency to include covid/adverse weather /Brexit.	Ben Coleman Michelle Wells	5			**Jan-21**	37
42	Sa	**Corporate services**	**Customer engagement and managing perception: fa**ilure to engage and manage the perception of our residents regarding key decisions in and to of council control may disenfranchise residents and result in loss of reputation.	5	James Carpenter	Prepare a communications plan to ensure all key stakeholders and residents are kept informed throughout the decision making process and ensure transparency of process. HOS have comms buddies to enable forward planning of the strategy. Update and streamline website. Review survey uptake and assess means of reaching hard to reach groups. Nov 2020 increased from 2/3 to 5 5	Shona Ware	5	Y	Devise Engagement Charter . Post COVID 19 . Manage Cust expectations re what the council does following the support provided by Community Hubs.	**Jan-21**	38
57	Sc	**Democratic Process**	**Failure to meet the statutory deadline to review the Statement of Licensing Policy by January 2021** may result in a successful challenge to a prosecution or an appeal against a decision on an application or review.	5	Liz Hayden/Margaret Reed	Preparation for the review of the Joint Statement of Licensing Policy commenced November 2020. This work has been delayed due to Covid 19. The consultation process will run from 23 November to 17 December. The Licensing Acts Committee will recommend a revised policy to February 2021 Council. The statutory deadline to review the policy by January 2021 will not be achieved. There are no pending prosecutions, reviews or appeals.	Diane Foster	2/3	Y		**Jan-21**	39
40	Sc Se	**Contracts**	**Failure to learn from contractor poor performance on core council services** (IT/waste collection/grounds maintenance/contact centre/revs and bens and leisure) results in poor services for residents and loss of reputation.	2/3	Mark Stone	Methodology to report service breaches are in place, this provides evidence to use in contract re-negotiation. Contracts continue to be under review with focus on lessons learned. Governance structure in place and regular monitoring meetings held. Scrutiny reviews projects as part of Corporate Delivery Framework.	SMT/ Susan Harbour	2/3	Y		**Jan-21**	40
31	Sc Sg Se	**Economic**	**Failure to deliver the actions on the BIS (Business Information System)plan** may result in businesses not engaging with the councils leading to a reduction in the districts economic attractiveness and competitiveness and thus reduction in number of businesses start ups and growth and a reduction in business rate revenues, higher unemployment in the districts.	2/3	Emily Cockle	Tractivity system to monitor business engagement and needs. BIS action plan in place. Quarterly reporting on the action plan progress. Successfully won a national award. Set up and ran a Pop Up business school in the district.. BIS action plan reflects the period 2016 to 2020. Moving forward, we are part of a wider Oxfordshire Economic Recovery Plan with the Oxfordshire LEP and other districts. From this new plan, we will need to develop our own economic recovery plan next year, but the Oxfordshire Plan provides us with an overarching framework to agree priorities and actions. In addition, the County Council's procurement of an operator to manage vacant units across the districts/ wider Oxfordshire from January 2021 will support our economic competitiveness and business take-up rates. Also need to review opportunities for our own start-up and innovation operator provision/ procurement of new operators to partner with the council for our void assets.	Mel Smans	2/3	Y	Further review of actions based upon the feedback from the Tractivity system. POST COVID 19 Economic: Focus on areas which allow businesses in the district to restart and be ready to address pent up demand. So that backlogs are cleared when businesses are allowed to restart	**Jan-21**	41

24	Sa	Corporate plan	**Failure to deliver on the corporate plan objectives** results in reputational damage.	2/3	Mark Stone	The council structure includes a Customer Assurance to coordinate performance measures linked to both service plans and the corporate plan and linking to individual PDP's via the performance management Framework project. Corporate plan due to be adopted mid 2020 following public consultation in July 2020.UPDATE OCT 2020. Consultation has taken place and council are debating their plans – Plan content has now been agreed and they will be launched 30 October 2020 Corporate Plan approved Nov 2020. Mechanisms in place to deliver annual delivery targets and performance metrics. Performance management Framework is being developed.	Adrianna Partridge/ James Carpenter	2/3	Y		Jan-21	42
43	Sa	Finance	**Government deal for housing growth:** failure to agree with members of the Oxfordshire councils means we may not meet the deal agreement criteria and result in the no infrastructure funding (of £30m pa over 5 years) for Oxfordshire, which may impact our councils' reputation.	2/3	Andrew Down	Working with partners and developers to deliver the growth deal through the Joint strategic spacial plan (JSSP) Oxfordshire 2050. Growth Deal Programme Board meet monthly across the county . First year target met. Second year targets not met and delivery of growth deal delayed by Covid-19. To be mitigated be a request to government to agree to reprofile the delivery dates. .	Andrew Down/ Susan Harbour	2/3	Y	Request to government to agree to reprofile the delivery dates and maintain a watching brief. MHCLG and Homes England have agreed to extend the programme timetables.	Jan-21	43
22	Sa	Democratic process	**Changes in the local political landscape** including snap elections, may impact the operational delivery of the councils' corporate services.	2/3	Mark Stone	Following the May 2019 local elections all councillors received induction training. There are regular updates and meetings with all opposition parties throughout the year to enable good rapport building. Each service team has a councillor portfolio holder. The SMT monitors through HOS any changes that may impact council operations. The corporate plan is set one year after a local election to ensure any changes as a result of the election are reflected in a new corporate plan. Corporate Plan 2020-2024 was adopted by Council in October 2020 to establish a vision and priorities for the council. A new performance management framework is currently being developed.	SMT/ Margaret Reed	2/3	Y		Jan-21	44
46	Sa	Policy and insight / Finance	**Uncertainty over the expressway route** may have impact on the Local plan. Once route agreed it may impact council finances due to costs of running public consultations in the affected areas of the district. Greater risk in South Oxfordshire.	2/3	Andrew Down	Route option was expected Autumn 2019. Delayed due to General Election. Expressway decision is "paused" (official government position). Still nothing we can do. Outside of our control.	Andrew Down	2/3		The National infrastructure strategy due March 2020 delayed will set criteria for the routes and Arc status. Continue to keep watching brief. We continue to press for the Expressway decision to be confirmed one way or another but for now it remains officially paused.	Jan-21	45
17	Sc Se	Programmes	**Enterprise zone 1 pace of expansion is not quick enough** to realise the business rate income over 25 years to cover the cost of borrowing against projected incomes. Impacted by NICS. Council fails to attract more business or retain business in the zones 1 (2 if agreed) thus impacting on business rate income.	1	Andrew Down	A requirement to review borrowing. Engage external advice for future income forecasting use the data to assess the level of future borrowing . This is currently being procured. We now have the new forecasting model which still shows acceptable profile even with Covid-19 impacts built in.	Andrew Down/Susan Harbour	1	Y	Internal forecasting has confirmed we should raise business rates income to cover the cost of borrowing - External consultants are currently working to validate that forecasting result. We have updated forecasts including the impact of the pandemic. EZ1 forecast still projects sufficient income to cover cost of existing borrowing but this is not the climate in which to explore new borrowing for EZ2.	Jan-21	46

Risk rating:			
	Limited /no assurance/critical		
	Satisfactory assurance/risks		
	Full/substantial assurance /risks		
KEY			
VWHDC Strategic objectives			
Va	All		
Vb	Providing the homes people need		
Vc	Tackling the Climate Emergency		
Vd	Building healthy communities		
Ve	Building stable finances		
Vf	Working in partnership		
Vg	Working in an open and inclusive way		

Corporate Risk Register - Vale of White Horse District Council

Risk No/Ref	Strategic objective ref	Risk category	Risk description / consequences	Gross risk rating	Risk owner	Mitigation actions	Action owner	Net risk rating	Tolerable Y/N	Further mitigation actions if required	Review by when	
2	Vg	Technology security	**IT Cybersecurity breach** due to inadequate security protection and naïve user behaviour may lead to the council systems being hacked resulting in the council being unable to operate effectively and securely and subject to loss of reputation as well a financial loss.	9	James Carpenter	CAPITA information security infrastructure provides continuous updates of security software, firewalls and patches. Information security group regularly meets to discuss issues and mitigation actions. Cybersecurity awareness campaign to raise awareness of employee responsibilities to mitigate against data security issues. The risk and insurance officer along with risk champions review council risk exposure and mitigation actions. An information governance officer and data protection officer have been appointed. Roles and responsibilities to be defined going forward. LGA funding secured to train a key IT manager in the certificate of Cyber security (CISSM/P). Cyber working Group set up Gary Carey Leading with input from IT, Risk and Insurance, and Data protection Officers. The group will work together on actioning the recommendations from the recent data security internal audit.	Simon Turner/Lee Brown	8	Y	Ongoing effective management of security arrangements provided by CAPITA contract. Ongoing cybersecurity awareness campaign. Ensure cybersecurity awareness as part of induction training for new starters. All cybersecurity breaches are investigated. Review mobile device security through a mobile device management procedure. The new campaign summarising key messages from 2018 to include regular real time news items on Jarvis outlining actual incident; email phishing exercises and training were delayed due to elections and has been superseded by an 'In house' monitoring group which will review training provided on the councils new learning management system as well as a comms campaign to raise awareness. Devise a cybersecurity incident plan across the councils.	Jan-21	1
15	Ve Vf	Contract/Procedural	**Failure of third party contracts to deliver acceptable levels of service** causing councils to not comply with their contractual obligations and Inconsistent approach to third party contract monitoring results in reduction of service provision inefficient operations financial penalties and increased costs. (Merged risks 15/33/10)	8	Mark Stone	Constant review of contractors financial viability. Contractors have been unable to operate therefore loss of revenue may impact their future financial viability. All service team business resilience plans review supplier and contractor resilience on a regular basis. Identify the right people to set up a degree of transparency with regards to performance levels. Set up a review and reporting process. Review contractual obligations and revisit contracts. Management structure includes HOS and service management reporting on contract KPI's.	HOS	5		Possible central contract monitoring group linked to SMT to review quarterly. Provision of effective contract monitoring training for staff	Jan-21	2
51	Covid/Ve	Finance	**Loss of council revenues and increased council expenditure** will result in council deficits going forward and inability to progress key projects.	8	Mark Stone	Review expenditure and revenue trying to maintain business as usual across services. Ensure council tax DDs are operational. Monitor government initiatives for local government support and finance. Finance team keep watching brief on expenditure via spreadsheet and undertake impact assessment. S151 Officers across Oxfordshire meet regularly to discuss collective impact. To enable monitoring, the Business Resilience Plans (BRPs) for all service teams will have a finance tab to facilitate efficient collection of this data for finance once they have given a steer on the type of information required. These plans are regularly reviewed.	Simon Hewings	7		Keep watching brief to enable revenue collections at earliest opportunity once the current restrictions are eased, support revenue creating service through lockdown. Continuously monitor expenditure to better understand the short, medium and long-term financial exposure. Agree a revised budget in Autumn 2020 or when restrictions are lifted.	Jan-21	3

11	Vg	Procedural/ regulatory	**Failure to fulfil the Data Protection legislative requirements** may result in fines and reputational damage if data is breached or a challenge is made	8	Adrianna Partridge (DPO)	Information Governance and Data Protection role provides dedicated support to all teams as well as work to develop/review the corporate framework and all relevant policies. Close liaison with Legal on data sharing agreements. Additional temporary Information Governance Officer post appointed until end March 2021 to support this work. DPIAs undertaken on all new processes and DPO advice sought on all new projects. Data protection training for all staff on LEAH. Internal Audit of Data Protection provided satisfactory assurance.	Sally Truman/Sandy Bayley	6	Y	Constant monitoring of legislative tests. Continue work to ensure that all DP polices are in place and up to date, including current work to review the Register of Processing Activity (ROPA). Ensure a consistent approach to records management, including retention policy across the councils. Write new retention and records management policies across the councils, review third party contractors and contracts to ensure requirements for processing personal data are accurately recorded, ensure DPIAs carried out of all new processing. Keep up to date with guidance from the information Commissioner. Review council systems namely Ocella to ensure personal data is removed from the system either automatically/manually.	Jan-21	4
9	Vd	Procedural -Health and safety	**Failing to have an effective health and safety management system in place** where, in some cases concerns and areas of non-compliance raised have not been acted upon because managers have been unable to gain the resources and support required to take mitigating action. This could result in: a fatality, illness or injury to staff or anyone else affected by our business; damage to property; legal action by HSE; civil claims and increased costs.	8	Mark Stone	New Health & Safety team comprising one senior advisor and one advisor in place. Health and safety policies are reviewed and updated every 3 years or when there are significant changes. Managers are briefed on H&S through Operational Management Group meetings, Connect or updates on Jarvis, mandatory health and safety training is provided to employees, managers and senior management every 3 years. Fundamental review of Health & Safety management system undertaken and action plan developed, which has been agreed by SMT and JAGC, including the principle of a Corporate Landlord Model for properties. Quarterly reporting to SMT re-established. Health and safety audit programme in place and internal audit provide governance, challenge and oversight. Close working and joint reporting between Health & Safety, Risk & Insurance to enable risks to be proactively managed. COVID 19 UPDATE Home DSE checks undertaken and support given to those requiring additional DSE H&S Equipment in order to work from home. Refer to Covid 19 risk register.	Adrianna Partridge/ James Carpenter	6	Y	Continue to work on the SMT approved H&S action plan to ensure a health and safety strategy is being developed which allows for: • Adequate allocation of resources for health and safety. • Commitment from the 'top' • Raising the profile of health and safety within the councils • Reviewing membership of the Healthh & Safety review board and the terms of reference of this group • Closer working with service managers to effectively raise risks to CE/HoS's either for them to action or accept. Working to develop all Health & Safety policies and Health & Safety training for all staff . Work with Property team to support the introduction of a Corporate landlord model across the councils.	Jan-21	5
61	Va		**Failure to effectively manage concurrent events in 2020/2021 (Covid 19/adverse weather/Brexit and elections)** may result in the council not fulfilling its statutory duties and may result in fines and poor levels of customer service.	8	Adrianna Partridge/Mark Stone/Suzanne Malcolm	Regular meetings across Oxfordshire to ensure joined up working. Regular BRP updates and scenario planning.	HOS	5	Y	Keep watching brief	Jan-21	6

52	**Covid/Va**	**Resources**	**Failure to effectively manage response to covid 19** both during the incident and after as part of recovery, impacts our staff and residents through increase in infection rates or poor delivery of services.	8	Mark Stone	Regular Covid 19 triage meetings. Gold, silver and bronze command structure at county and national level. Key SMT members on silver works streams. Regular risk assessments/H&S assessments and DSE assessments. Recovery working group set up to manage all aspects of return to work. SMT policy currently not to return to work. UPDATE 2020 Government advice is for all staff to continue to work from home whenever possible. SMT support this. The EP team are now undertaking pan Oxfordshire test and trace visits with appropriate PPE and guidance. Two Covid marshals have been recruited to advise and guide residents and businesses in Covid safe activities. Ongoing effective management of business recovery plans, working practices and ongoing communication. Draw up plans which enable social distancing throughout offices and other workplaces across the council. Ensure Business Recovery Managers communicate business recovery plans and work with all service managers on the proposed return to offices or alternate working arrangements.	Adrianna Partridge	5		Districts may be required to help identify sites for local testing units (LTU)and mass vaccinations as well as resourcing these sites in the near future. Keep watching brief at TVLRF TCG and other bronze/silver and gold meetings.	**Jan-21**	7
7	**Va**	**Resources personal security**	**Poor staff morale, wellbeing and personal security** due to increased workloads, levels of abuse from residents on social media and at meetings as well as uncertainty over restructure, may result in stress leading to increased absence and low staff retention rates, with subsequent work load pressures and increased cost implication to plug the resource gap by recruiting contract staff.	8	Adrianna Partridge	In-house HR support available to all members of staff if required. The leisure team communicate community activities for staff to be involved with. The wellbeing group are in place to consider ideas / activities for staff wellbeing. Thames path initiative run via the wellbeing group. Staff survey completed. Annualised hours being managed directly by Line Managers. Due to Covid 19 gross risk rating increased to red 7 due to prolonged remote working. which may lead to stress and anxiety. Pulse surveys being undertaken to review how staff are feeling on a fortnightly basis and inform SMT on how to manage wellbeing as a result. HR to support, as required. Team leaders and Mental Health First Aiders to be available to support by signposting to appropriate agencies. Encourage regular work catch ups via virtual meetings as well as wellbeing coffee meetings .UPDATE OCT 2020 Continue to encourage employees to take wellbeing breaks, communicate with colleagues and speak to line managers if feeling overwhelmed. Wellbeing groups have met and out together an action plan to take forward into new year via SMT.	James Carpenter	6	Y	The staff survey has been completed results released alongside the pulse survey results, SMT reviewing and action plan will be put in place. HR actively engaging with wellbeing group. Regular comms encouraging breaks, flexible working, conversations etc.	**Jan-21**	8
62	**Vg**	IT Security	**Data security compromised due to remote working**, which may result in data breach and fines/loss of reputation	8	Adrianna Partridge	Regular monitoring and review at triage and SMT. Capita monitoring network for unusual activity and reporting to councils Action recommendations from security audit regard staff behaviours and awareness particularly during remote working. Update Jarvis pages etc	All Service Managers	5			**Jan-21**	9
50	**Va**	**Technology**	**Third party Business Continuity Plan is not fit for purpose a**nd may result in poor customer service and loss of council reputation if there is failure of IT infrastructure.	8	James Carpenter	Paul Merrick is reviewing the IT Business continuity Plan across 5CP. During Covid 19 regular Capita calls took place to resolve IT issues in an ongoing and collaborative way. Net risk moved down to 6 as all issues were managed well during Covid 19 .Embed revised Business Continuity Plan/Business Recovery Plan arrangements across all council service teams.	All Service Managers	6			**Jan-21**	10

37	Vg	Democratic process	**Failure to deliver a major election in accordance with our statutory requirements**, results in reputational damage and costs to re-run an election.	8	Margaret Reed	Preparation for the PCC elections which were to be held on the 7 May 2020 followed by VE day bank holiday had commenced. Postponed due to Covid 19. Project planning and risk registers tailored to specific election requirements, which are reviewed and updated. Delivery is monitored on a regular basis as and when appropriate. Successfully delivered three elections within short timeframe. Net risk green reduced from 6 amber to 2 green. POST COVID 19 PCC elections and one neighbourhood plan referendum delayed until 6 May 2021 due to COVID 19 and will now coincide with the county council elections scheduled for that date, along with any district/parish by-elections and neighbourhood plan referendums the returning officer agrees to hold on that date.	Steve Corrigan	5	Y	National funding available for PCC election and the county council will meet the cost of their elections. The plans are regularly reviewed and monitored. Prepare a comms plan to aid recruitment and communicate key messages to electors and review progress. A dedicated election project team set up to constantly monitor IT support, resourcing and implications of Covid escalating any issues through the project governance arrangements and project risk register. Will need to implement any necessary social distancing and other Covid secure measures at polling stations and counts. Keep watching brief on polling stations site usage for Covid LTU and vaccinations build in site contingency.	Jan-21	11
3	Vg	Technology	**IT infrastructure not supported** with no back up or Business Continuity Plan (no separate WAN line from this building) and insufficient IT hardware and software licenses to support employees to undertake council activities, may result in poor customer service and loss of council reputation.	8	James Carpenter	5CP and council Business Continuity Plan arrangements to mitigate against IT infrastructure failure. IT infrastructure lead has been recruited and is working on all elements of IT infrastructure. Reduced net risk rating due to covid 19 response and all Working from home with few issues.	Lee Brown Simon Turner Yvonne Cutler Greaves	5	Y		Jan-21	12
60	Covid Ve	Finance	**Failure to prevent fraud when managing test and trace isolation grants** thereby risking loss of revenue and reputation. The government has provided funds to the council to distribute to residents who have been ordered to stay at home and isolate by the test and trace regime. Those who cannot work are eligible.	7	Simon Hewings	Ensure that the criteria and processes specified by the Government are strictly followed. There are three main types of pre-payment checks. This includes checking that an applicant: has been formally instructed to self-isolate by NHS Test and Trace. is receiving one of the qualifying benefits. Has provided the necessary evidence, such as a bank statement or a self-assessment return if they are self-employed. Government software tools, NHS eligibility checker and Searchlight are being used by officers and post payment fraud checks are being undertaken. Conduct post checks after payments are issued again in accordance with prescribed Government guidance. This is a 10 per cent check to make sure that there is evidence of criteria being met, using searchlight and the eligibility checker	Paul Howden	5	Y		Jan-21	13
18	Ve	Programmes	**Failure to capitalise and influence national initiatives that benefit the districts.**	7	Mark Stone	Continue to work in partnership with others (experts) to seek new areas of potential funding building on our successful approach to raising money to support a number of major developments in the district such as securing a housing grant deal for the district. There is an inconsistent approach to a feedback mechanism to share ideas and on funding sources or comment on National Policy.	Andrew Down	5	Y	Management restructure has enabled resource to be allocated to research future funding opportunities through the Policy and Insight service area, within the remit of the service is external funding, with the objective of "We will identify and attract external funding to benefit our communities and fulfil our objectives; working to maximise inward investment into Oxfordshire". This will be undertaken via active collaboration and engagement with all our partners (Growth Board, Oxfordshire County Council and Homes England) to ensure favourable future outcomes. Review the impact of BREXIT on our rural communities (Loss of LEADER funding) and our economic communities (High St and Science Vale (Scientific experts). A framework as to how we will approach external funding opportunities is	Jan-21	14

33	Va	Property	**Failure to provide suitable council office accommodation** that is fit for purpose on time resulting in poor staff morale, compromised service and loss of reputation. COVID has changed future plans for offices. Plans adapted to be fit for future purpose.	7	Mark Stone	Project governance structure in place. A: 135 Eastern Ave -lease extension successfully negotiated with a get out clause of spring 2023 at the current location ongoing. B: Didcot Gateway Site has a working group split 50/50 south and vale and includes all key stakeholders ,the council portfolio holder, members and key officers. Project management will be undertaken by RIDGE. Maintaining watching brief to understand implications to other teams (elections) if delayed. Project risk register reflects covid impact including supply of materials and therefore delay in construction. Maintain a watching brief via project governance. DIDCOT GATEWAY to be a scaled down post covid business premises. Staff survey sent out for completion by 26 OCT	Adrianna Partridge/ Emily Cockle	6	Y	Continuous review of performance through project board and reporting. As long as the programme remains on target with continued strict governance, clear leadership by officers and identified cabinet member the risk is reduced to 6.	Jan-21	15
12	Vg	Procedural	**Poor/inconsistent level of programme and project management coordination and corporate methodology** and controls, inconsistent utilisation of expertise across the councils resulting in poor delivery of projects, not realising the full benefits and understanding the risks and dependencies across the councils.	7	Adrianna Partridge/ Head of Policy and Programmes	Policy and programmes team have coordinated a programme and project management framework (CDF) as part of the corporate delivery framework which includes a projects database and gateway approval process for governance and oversight.	Ben Coleman	5	Y	The CDF is in the process of being reviewed to seek to optimise it's efficiency and investigate options for improvement. The review process involves a questionnaire asking all staff for their ideas for potential improvements to the CDF system. Feedback from staff will be considered by the CDF working group and appropriate amendments to the system will be recommended to SMT and feedback provided on all suggestions to staff and the JAGC. Review in Jan 2021	Jan-21	16
6	Vg	Resources	**Failure to manage Flexible working to respond to external factors in workforce. Embedding the management structure that is fit for purpose and flexible creates a period of change and uncertainty resulting in** staff retention issues and loss of knowledge and expertise in key areas, which may compromise delivery of the council objectives.	7	Mark Stone	Heads of Service (HoS) and Service Managers (SM's) have been appointed and are currently reviewing the structure and delivery model. Focus on succession planning to reduce risk of loss of expertise and experience. The 'Shape the service' programme has been completed resulting in HR transformation which is being implemented. A new structure has been introduced and awaits Corporate plan decision to finalise this structure. Interim South and Vale Operational Reporting lines published on JARVIS Sept 2020.	Adrianna Partridge/ James Carpenter	5	Y	Monitor progress of embedding HR transformation and structure across the council to be fit for purpose and flexible. The roll out of the new Learning Management System (LMS) LEAH will enable links with personal development plans and training requirements. Have a succession plan in place for all key team members	Jan-21	17

28	**Vb** **Vd** **Vg**	**Property**	**Failure to secure the redevelopment at key council owned sites in the district and capitalise on new building and refurbishment programmes** may result in increased costs, a decrease in reputation and loss of potential funding from the redevelopment.(merged with risk 20). Impact of Covid 19 on marketability of projects and viability will be an added pressure on some of the proposed projects.	**7**	Emily Cockle	Strategic property review underway by an external strategic property consultant to include site redevelopment opportunities ongoing. Strategic Property Advisor appointed (James Moore) is working to review Council benchmarking and options available by Dec 2020 with Cushman and Wakefield supporting the work. Review number of staff to enable this work to continue. Dalton barracks site has now been designated garden village status. Developing partnership working with all landowners and developers to ensure timely preparedness. This work will continue to progress and take time to embed before resulting improvements are seen. The portfolio includes: The Charter; Old Abbey House; The Upper Reaches, await councillor steer with the intention of having one public estate looking at best use of assets to create a community hub in collaboration with Abingdon Town Council. Continue to build on partnerships to ensure best use of assets. a report as to viability of Old Abbey house from ZM has helped put the situation into context, this is planned to be sold shortly. POST COVID 19 Timescales may change resulting in increased cost arising from further deterioration of existing assets. Review work plan and schedules in light of information coming from suppliers and contractors to ensure assets and sites do not deteriorate over the short/medium term. Maintain a watching brief. UPDATE OCT 2020. New Property Manager in post. The team are in course of reviewing and revaluing estate. Best bids will be submitted 09.11.2020 for Old Abbey House . Paper to Cabinet 4 Dec Await decision .	Catrin Mathias	**5**	**Y**		**Jan-21**	18
54	**Covid** **Ve** **Vg**	**Finance**	**Failure to prevent fraud when managing business grants** thereby risking loss of revenue and reputation. The government has provided funds to the council to distribute to businesses, either by government rules (the initial small business and retail, hospitality and leisure schemes, and the later discretionary grant fund).	**7**	Simon Hewings	Ensure robust processes are in place and used to detect fraudulent or multiple applications. The cabinet office made available a toolkit for local authorities to access to help prevent and detect fraud for the grants called Spotlight. Both councils registered for this tool before the online grants opened. The tool is a check on any limited companies, partnerships or registered charities and works alongside companies house. As Spotlight only checks limited companies and not sole traders, officers also check that the bank account applicants were requesting the grant to be paid into was the one the business rates system held. If it wasn't then further enquiries were made and proof of the account was requested to ensure it belonged to the company and not an individual's own account.	Paul Howden	**2/3**		Conduct post checks after the payments are issued to ensure they were correct, which includes further Spotlight checking if the company couldn't be found initially along with basic due diligence checks. At the end of April the cabinet office and the national anti-fraud network (NAFN) made available a tool for checking sole traders. We also registered for these. As they require consent we have ensured the declaration on our application forms reflects this. Officers are therefore able to use Spotlight and the new sole trader tools for checking all of the companies that apply.	**Jan-21**	19
55	**Covid** **Vd** **Ve** **Vg**	**Economic Development**	**Lack of clarity and transparency from central government on the council allocation of limited Discretionary Grants and Government backed business grants to support local businesses** and a failure to manage expectations as to how awards are made may result in dissatisfied applicants and loss of council reputation as well as resulting in grants made in error contributing to loss of revenue, potential fraudulent claims and reputational risk during the lockdowns and tier system. (risk 54 merged with 55)	**7**	Emily Cockle	Ensure that the process is clear and transparent with audit trails to support decision making. Clear comms on website to manage expectations as success rates may be low. Be aware of subjective bias in awards. Anti fraud checks are made to best of ability with information available as these will be small businesses giving councils no recourse to companies house information. Declaration to be signed before release of funds to avoid fraudulent uptake of state aid. Support and signpost unsuccessful applicants to alternative funding support. Advise council as to how best to manage reputational risk if choice is to go with non evidence based criteria. Ensure robust processes are in place and used to detect fraudulent or multiple applications. The cabinet office made available a toolkit for local authorities to access to help prevent and detect fraud for the grants called Spotlight. Both councils registered for this tool before the online grants opened. The tool is a check on any limited companies, partnerships or registered charities and works alongside companies house. As Spotlight only checks limited companies and not sole traders, officers also check that the bank account applicants were requesting the grant to be paid into was the one the business rates system held. If it wasn't then further enquiries were made and proof of the account was requested to ensure it belonged to the company and not an individual's own account. UPDATE NOV 2020 The Economic Development team are currently administering a new batch of discretionary grants to reflect the current lockdown period from 5 Nov to 2 Dec 2020. We have received a healthy take-up of applications to date and are processing these efficiently.	Mel Smans/Paul Howden	**2/3**			**Jan-21**	20

40	Va	Security - resources	**Major incident in the district.** Failure to adequately respond to a major incident affecting our residents may result in legal action (corporate manslaughter/environmental pollution) and loss of reputation.	6	Mark Stone/Adrianna Partridge/ James Carpenter	The council has an Emergency plan. Emergency planning officer receives and reviews daily updates from the Local Resilience Forum and Resilience Direct.	Sally Truman	6	Y	Keep up to date on latest developments in this area. Continuous revision of plans as and when appropriate. Training in Emergency planning incidents. The Emergency Planning Officer attends OCC meetings on a regular basis to ensure joint working and understanding of roles & responsibilities in an emergency incident. Emergency Planning Officer (EPO) is part of Local Resilience Forum (LRF) and receives daily updates from resilience direct. POST Covid 19. Review Business Resilience Plan (BRP) with all teams to learn from what went well and what could be done better.	Jan-21	21
22	Vb	Democratic process Planning	**Lack of informed and consistent decision making across the councils** will result in more planning appeals losses, increased costs and loss of council reputation.	5	Adrian Duffield	Continue with Councillor training and support . The Heads of Service, Section 151 and Monitoring Officers inform and advise relevant councillors on consequences and impact of planning decisions and legal, financial and policy implications of decisions. The council has a 3 year land supply as stipulated by the government. Won't be able to fully mitigate until Souths Plan is adopted. UPDATE 09/03/2020 Decision received 3/3/20 and plan progressing as directed by the Secretary of State. Virtual Local plan meetings will be held in July to scrutinise local plan by planning inspectorate. Continue with Councillor training and support. The Heads of Service, section 151 and monitoring officers inform and advise relevant councillors on consequences and impact of planning decisions and legal, financial and policy implications of decisions. The council has a 3 year land supply as stipulated by the government. Won't be able to fully mitigate until Souths Plan is adopted. UPDATE 09/03/2020 Decision received 3/3/20 and plan progressing as directed by the Secretary of State. Virtual Local Plan meetings will be held in July to scrutinise local plan by planning inspectorate. Councillor training has been temporarily on hold due to Covid 19.The programme will be reviewed in the Autumn 2020 .OCT2020 UPDATE on Councillor Training. Virtual training being put together with training giving an overview of the planning process and CIL already delivered. Training for Planning Committee, on Enforcement and Neighbourhood Planning is being planned.	Adrian Duffield	5	Y	Maintain a consistent approach to briefing councillors on legal, financial and policy implications of making planning application decisions. Train Committee members and cabinet members on the planning process and implications and consequences of planning decisions in the local and national context. Provide support to parishes with regular updates and communications on reasons for planning decisions in the local and national context. Work with the consultation and customer engagement team to improve communication with local residents and parishes.	Jan-21	22
8	Va	Resources	**Failure to attract and recruit staff to roles** across all service teams may result in shortage of resources to enable the council to fulfil their statutory duties and could result in a poor level of customer service.	5	Mark Stone	Strategic HR now back in house. HR transformation is being implemented. LMS (LEAH) launched Feb 2020. The Staff survey results have helped inform the next steps in continuous learning. Continue to encourage and support existing staff to apply for internal vacancies. Since Covid19 a number of have been recruited to roles virtually with procedures in place to support onboarding using an external recruitment agency who filter perspective applicants and administer the process including adverts and tests. HR have increased their team to provide support and expertise to the councils since insourcing this year.	James Carpenter/ David Fairall	5	Y	Management/Leadership team to continue to review staff cover throughout the councils. Plan for resilience for all key team members. Review and improve recruitment, induction, training and development processes, where possible, to ensure we recruit, develop and retain staff. Embed the new LMS/LEAH training portal . Liaise with procurement to secure a suite of recruitment options.	Jan-21	23
17	Vb	Programmes	**Didcot Garden town: Significant funding estimated at £319m is needed to deliver projects identified in the adopted delivery plan,** failure to realise this future funding to expand/expansion delayed due to planning decisions may result in loss of reputation to deliver such projects for the community (separate risk register).**Dalton Barracks Garden Village.** Failure to deliver Dalton Barracks Garden Village due to lack of funding results in loss of council reputation and financial backing.	5	Emily Cockle	Project manager successfully recruited and in post. The team is being resourced with temporary project support, whilst full job evaluation roles are undertaken for the wider team structure. SMT agreement to procure additional support through the Homes England Multidisciplinary Technical Framework. The new Garden Communities team will bring DGT, Berinsfield and Dalton Barracks projects together. This joined up approach will reduce risk as the expertise will be shared across all 3 projects. See Risk 16 (Line 44). Production of a Develop Planning Policy for Didcot Garden Town. HIF Bid Funding agreement for £218m has been fully executed between OCC and Homes England have completed. Adoption of South Local Plan will support securement of HIF funding as part of the Growth Deal requirements. DGT manager is working with finance and legal to identify a funding strategy and enter into an agreement with OCC for project delivery of NPR3. Officers exploring uses for the historic £1.25m of DCLG grant funding to commit to DGT initiatives in 2021/22. SMT paper in December to progress work on the vacant units at Didcot Broadway for residential and community/mixed-use provision.	Marybeth Harasz	5	Y	A £218 million HIF award was announced in March 2019. With the fully executed HIF agreement, more than 1/3 of the funding toward the total £612 million estimated implementation cost is achieved in line with the Delivery Plan time frame of 2031. The Delivery Plan is a long term vision, so an update to the plan may be appropriate. The DPD document is to be scheduled by the Planning Policy team in line with work on the local plan. The Delivery Plan is a long term vision, so an update to the plan may be appropriate.	Jan-21	24

24	Va	Customer service	**Failure to maintain a consistent standard of customer service results in** stagnant customer service initiatives and long term service reduction and thus reputational damage.	5	James Carpenter	A new service team 'Customer Assurance ' encompasses internal and external customer services. Regular monitoring of quality of in house customer service and of the switchboard service provided by Capita. Monitoring of complaints and follow up/learning. A new community hub structure has been set up to help support our local community during the medium/long term recovery from Covid 19.	Sally Truman	5	Y	The Customer Assurance team to coordinate performance measures linked to both service plans and the corporate plan (part of the Performance management framework project currently underway) Develop a customer services strategy to encompass all our customers to include residents; staff; councillors and third parties - expected to form part of the customer services transformation review.. Post COVID 19 . Manage Customer expectations re Councils duties to residents following the increase in support provided by Community Hubs.(Risk 24 and 41 link)	Jan-21	25
59	Vg	Democratic Process	**Failure to meet the statutory deadline to review the Statement of Licensing Policy by January 2021** may result in a successful challenge to a prosecution or an appeal against a decision on an application or review.	5	Liz Hayden/Margaret Reed	Preparation for the review of the Joint Statement of Licensing Policy commenced November 2020. This work has been delayed due to Covid 19. The consultation process will run from 23 November to 17 December. The Licensing Acts Committee will recommend a revised policy to February 2021 Council. The statutory deadline to review the policy by January 2021 will not be achieved. There are no pending prosecutions, reviews or appeals.	Diane Foster	2/3			Jan-21	26
25	Ve Vg	Property	**Lack of asset management expertise of council owned land and property portfolios** results in under investment in property across the councils, reducing the ability to maximise incomes as well as lack of understanding as to where maintenance and insurance liabilities responsibilities lie (Council/Parishes etc).	5	Emily Cockle	Validation of property records are now being undertaken by Council Officers, which will provide an up to date database of property ownership and inform an action plan for the management of the portfolio. The facilities teams work alongside the property team to enable seamless property maintenance and statutory Health & Safety (H&S) checks as required. Internal Audit have identified three areas of property: ownership/billing and H&S compliance. A full time officer has been seconded to the team to address Corporate Statutory Compliance. Corporate Landlord Model approach to be discussed with SMT on 2 December 2020. Property manager (Catrin Mathias) is leading on this initiative. In addition, SMT has recently agreed for additional support within the Property team (fixed term contracts) to support current expertise in driving forward the implementation of key initiatives.	James Moore/Catrin Mathias	5	Y		Jan-21	27
13	Ve	Financial	**Failure to adequately manage council finances to take into account reduction in central government funding** (including MHCLG grant income) results in councils inability to undertake its statutory duties at a time of increased demands (homelessness and an ageing population) resulting in reduction in service level to our residents, innovative initiatives and projects going forward. Currently there is uncertainty around funding from central government which makes medium term financial planning very difficult. COVID 19 Risk Increased from 2/3 to 5	5	Simon Hewings	The council has a Medium Term Financial Plan (MTFP) that will flag potential financial resilience problems five years in advance. This allows the council to determine an approach to managing future budget pressures. The MTFP is refreshed annually. The scale of any challenge will be known more fully following the government's 2021 spending review and pending government announcements on future funding streams. Funding is included for Transformation Activity 2021/22. NOV 20 Risk increased to 5/5 from 5 2/3 by risk owner	Simon Hewings	5	Y	Regular budget monitoring and annual refresh. Medium term financial plan ensures any potential risks are identified. Implement Transformation Activity Findings. Which are 1) Single Council 2)Income Generation 3) Smarter Working. Links to risk 43	Jan-21	28

43	Ve	Policy and insight	**New channels of revenue growth**: failure to identify new areas of revenue growth in the long term may result in the councils missing opportunities of becoming less reliant on government grants and subsidies. UPDATED COVID 19 Risk Increased from 2/3 to 5	5	SMT/HOS	SMT to horizon scan opportunities as an integral part of the regular corporate risk register review. Horizon scanning will also form part of the new service planning approach outlined in the Performance management Framework (PMF) that is coming forward in November 2020. Improve staff awareness of the need to identify opportunities for revenue growth through a staff suggestion scheme with rewards for the best adopted idea. Post Covid 19 may impact the numbers of opportunities for revenue growth .	Michelle Wells with SMT/HOS support	5	Y	All HOS to be vigilant in terms of new funding streams and opportunities. Increase awareness of what markets allow in terms of fees and charges. A proposed commercialisation strategy will be developed as per further mitigation in risk 13. (line 52) POST COVID 19 Keep watching brief on Govt developments re funding via Insight and Policy – external funding function.	Jan-21	29
44	Va	Corporate services	**Brexit may impact the economic viability** and specific services within the districts in the short to medium term.	5	Adrianna Partridge	Update paper being prepared for SMT regarding the resurrection of previous approaches to managing Brexit impacts. Resumption of regular Triage meetings proposed. Officers from Policy and Programmes are also attending LRF and County wide meetings to keep up to date with developments. BRP template prepared for Assurance team to use to obtain updates from all services. Positioning paper being taken through SMT November 2020 to confirm current position and internal working arrangements. Internal triage group re-mobilising to oversee transition period from November 2020. No longer "designated Brexit officer"	Ben Coleman Michelle Wells	5		Business impact assessments of all service teams ongoing.	Jan-21	30
41	Va	Corporate services	**Customer engagement and managing perception:** failure to engage and manage the perception of our residents regarding key decisions in and out of the council control such as the Expressway route, may disenfranchise residents and result in loss of reputation.	5	Adrianna Partridge/James Carpenter	Prepare a communications plan to ensure all key stakeholders and residents are kept informed throughout the decision making process and ensure transparency of process. HOS have comms buddies to enable forward planning of the strategy. Update and streamline website. Review survey uptake and assess means of reaching hard to reach groups. Nov 2020 increased from 2/3 to 5 5	Shona Ware	5	Y	Devise Engagement Charter . Post COVID 19 . Manage Customer expectations re what the council does following the support provided by Community Hubs. (Risk 25 and 41 link)	Jan-21	31
14	Ve	Community services	**Failure to maximise opportunities to realise areas of revenue growth** may impact overall future council finances.	5	Simon Hewings	The council engaged the Chartered Institute of Public Finance (CIPFA) to help it challenge its budgets and provide options for increasing income and reducing expenditure. The findings are being used to inform future plans for commercialisation. Section 151 Officer to retain risk as has expertise in Benchmarking .		2/3	Y	All Heads of Service to be vigilant in terms of new funding streams and opportunities. HoS must ensure that fees and charges relate to the budgeted cost of operating the service/scheme, are reasonably set and reviewed regularly. A proposed commercialisation strategy will be developed. Transformation team funded and now included in budget. POST COVID 19 may impact. Follow government guidance. Keep a watching brief.	Jan-21	32
25	Va		**Lack of clarity around Roles and Responsibilities for property maintenance and statutory inspections across service teams** pending the introduction of a corporate landlord model (preferred option yet to be decided) may result in failure to comply and potential injury, leading to fines loss of reputation.	5	Emily Cockle	To be mitigated with the inception of a corporate landlord model, details of which are to be decided. Paper to be submitted to SMT by end of Nov 2020 to agree a way forward. Validation of property records are now being undertaken by Council Officers, which will provide an up to date database of property ownership and inform an action plan for the management of the portfolio. The facilities teams work alongside the property team to enable seamless property maintenance and statutory Health & Safety (H&S) checks as required. Internal Audit have identified three areas of property: ownership/billing and H&S compliance. A full time officer has been seconded to the team to address Corporate Statutory Compliance. Corporate Landlord Model approach to be discussed with SMT on 2 December 2020. Property manager (Catrin Mathias) is leading on this initiative. In addition, SMT has recently agreed for additional support within the Property team (fixed term contracts) to support current expertise in driving forward the implementation of key initiatives.	Catrin Mathias	2/3	Y		Jan-21	33

26	**Vd** **Vf**	**Safeguarding**	**Failure to deliver council safeguarding responsibilities** may result in loss of reputation if a safeguarding incident occurs in our districts and we have not followed the stipulated procedures and protocols of reporting.	**5**	Liz Hayden	Designated safeguarding officer (DSO) and deputies in place. Cases referred to DSO which do not meet the threshold can be referred to monthly Joint Tasking Meeting for multi-agency review. Oxfordshire County Council conducts a joint annual audit incorporating the standards from the safeguarding self-assessment against the Children Act 2004 (s11 audit) as well as the standards developed for Adult Services. As part of this audit we submit an annual return which is subject to peer review. The next assessment is set for March 2021. Process in place to protect potential victims of modern slavery (MS1). Mandatory training appropriate to the level of contact as a District Council with no social services and education responsibilities. POST COVID 19 Possible increase in safeguarding issues due to pressure of lockdown may increase number of families requiring support. All staff working in community roles have received a safeguarding training refresher. Safeguarding training is being delivered weekly using Microsoft Teams during the COVID crisis. We run a programme of training to accommodate new starters and those who need refresher training. Work has commenced on review of Policy and will be in place by March 2021 There has been an increase in safeguarding referrals and concerns raised by members of staff during 2020-21.	Diane Foster	**2/3**	**Y**	Review the safeguarding policy and training delivery. Work has commenced and will be completed by 31 March 2021.	**Jan-21**	34
29	**Vd** **Ve** **Vf** **Vg**	**Economic**	**Failure to address or remove barriers to Small and Medium Enterprises (SME) growth** may result in SME's closing, moving out of the district, or not starting. This may result in a loss of potential business rates and reduced consumer spending in our market towns.	**5**	Emily Cockle	Tractivity system to monitor business engagement and needs. Business Information System (BIS) action plan in place. Quarterly reporting on the action plan progress. Successfully won a national award. Conducted post-lockdown survey to identify SME needs. 75 businesses agreed to participate in SODC Economic Recovery Planning. Business Intelligence is fed to OxLEP and BEIS to lobby for support for SMEs. Further review of actions based upon the feedback from the Tractivity system is ongoing.	Mel Smans	**2/3**	**Y**	Further review of actions based upon the feedback from the Tractivity system is ongoing. POST COVID 19 Maintain watching brief on Govt guidance and direction. Opening up the High St guidance from Government. Funding to provide guidance to SME's and retail.	**Jan-21**	35
30	**Vd** **Vg** **Ve**	**Economic**	**Insufficient support (including the EU funding shortfall)** is provided to key research sites at Harwell, so the research is not commercialised to its full potential and businesses at the site relocate out of the district, resulting in a loss of employment.	**5**	Emily Cockle	EU funding may not be available after Brexit, work being undertaken to ensure we maximise the Government funding through the shared prosperity fund. Continuous liaison with the key research sites. The new management structure is enabling the creation of an environment to help attract funding with less silo working. Support development of new business ventures in the district. Facilitate learning from best practises outside the council and increased awareness of opportunities. Work continues pending updates re funding post Brexit.	Emily Cockle	**2/3**	**Y**	The new management structure is enabling the creation of an environment to help attract funding with less silo working. Support development of new business ventures in the district. Facilitate learning from best practises outside the council and increased awareness of opportunities. Work continues pending updates re funding post Brexit.	**Jan-21**	36
4	**Vf** **Vg**	**Security - resources**	**Council offices site security insufficient** at both 135 where the location of business lounge and staff entrance increases risk of intruder entering the building and Crowmarsh site where there is an increased risk of injury by intruders resulting in high Public Liability claims which may not be covered by our insurers. During closure of offices there are different sorts of security risks i.e. members of public arriving at the offices when they are closed etc, staff that are in the building feeling vulnerable etc. Reduce gross risk to amber 5 as we are WFH less risk here. **Merged with risk 36: incident at council offices or council owned building may place visitors and officers at risk a**nd result in increased time by management to deal with the incident and associated investigations, legal requirement and liabilities which may result in reputation loss and compromised service. During closure of offices there are different sorts of security risks i.e. members of public arriving at the offices when they are closed etc, staff that are in the building feeling vulnerable etc	**5**	Adrianna Partridge/Suzanne Malcolm/ James Carpenter	The council has an Emergency plan; and crisis response plan together with a dedicated Emergency Planning Officer (EPO). Incident policy and plans under continuous review with regular updates via the local Resilience Forum and Resilience Direct which the EPO communicates latest updates where relevant setting up meetings when required to ensure all elements are covered. Security at 135 reviewed as now closed due to Covid 19, a series of protocols are in place and rooms allocated for visitors and regular skeleton staff. Abbey House is closed due to Covid 19. Mitigation: ensure that there is always more than one person on site and that they aware of the security protocols which have been instigated. We are putting additional signage at the entrance to confirm the building is closed to public and have also made MEPC security staff aware. Review Security in place for staff whilst buildings are being used for Covid 19 response work.	HOS	**2/3**	**Y**	Keep up to date on latest developments in this area. Continuous revision of plans as and when appropriate. Training in Emergency planning incidents. Testing the plans including Lockdown procedures. Post Covid 19 Review Emergency plan following debrief with Emergency Officer.	**Jan-21**	37

20	Va	Procedural/ regulatory	**Changes in legislation and government policy**, including potential creation of unitary authority or devolution in Oxfordshire may impact the operational delivery of the councils' corporate objectives.	5	Adrianna Partridge	There is sufficient notice and lead time to enable the council to set up a project team and resourcing to enable the changes. Await Government legislation on Local government; national planning framework and the Environment Bill may impact future council plans. Hold a watching brief.	Adrianna Partridge/ Michelle Wells	2/3	Y	Hold a watching brief. UPDATE OCT 2020 Maintain watching brief for govt initiatives and policy/legislative changes.	Jan-21	38
53	Covid/Vd	Customer Service	**Failure to manage expectations as to role of new community support hub** may result in resident dissatisfaction and poor staff support going forward.	5	Adrianna Partridge	Community support hub established and now fully staffed and operational for second lockdown and shielding period. Scope of the hub support dependant on central government guidance and funding which regularly changes. Dedicated comms team lead now allocated to Covid-19 support work to ensure clarify of messages through November 20 lockdown/shielding period and beyond if necessary. Team management structure and role clarity will ensure that all staff are appropriately supported. Risk assessments are documented and control measures implemented. Staff wellbeing regularly reviewed in 121 meetings.	Ben Coleman	2/3		Additional personal resilience training being sought for team	Jan-21	39
31	Ve Vd	Economic	**Failure to deliver the actions on the BIS plan** may result in businesses not engaging with the councils leading to a reduction in the districts economic attractiveness and competitiveness and thus reduction in number of businesses start ups and growth and a reduction in business rate revenues, higher unemployment in the districts.	2/3	Emily Cockle	Tractivity system to monitor business engagement and needs. BIS action plan in place. Quarterly reporting on the action plan progress. Successfully won a national award. Set up and ran a Pop Up business school in the district. BIS action plan reflects the period 2016 to 2020. Moving forward, we are part of a wider Oxfordshire Economic Recovery Plan with the Oxfordshire LEP and other districts. From this new plan, we will need to develop our own economic recovery plan next year, but the Oxfordshire Plan provides us with an overarching framework to agree priorities and actions. In addition, the County Council's procurement of an operator to manage vacant units across the districts/ wider Oxfordshire from January 2021 will support our economic competitiveness and business take-up rates. Also need to review opportunities for our own start-up and innovation operator provision/ procurement of new operators to partner with the council for our void assets.	Mel Smans	2/3	Y	Further review of actions based upon the feedback from the Tractivity system. POST Covid 19 Economic: Focus on areas which allow businesses in the district to restart and be ready to address pent up demand. So that backlogs are cleared when businesses are allowed to restart	Jan-21	40
23	Va	Corporate plan	**Failure to deliver on the corporate plan objectives** results in reputational damage.	2/3	Mark Stone	The council structure includes a Customer Assurance team to coordinate performance measures linked to both service plans and the corporate plan and linking to individual PDP's via the performance management Framework project. Corporate plan due to be adopted mid 2020 following public consultation in July 2020.UPDATE OCT 2020. Consultation has taken place and council are debating their plans – Plan content has now been agreed and they will be launched 30 October 2020 Corporate Plan approved Nov 2020. Mechanisms in place to deliver annual delivery targets and performance metrics. Performance management Framework is being developed.	Adrianna Partridge/ James Carpenter	2/3	Y		Jan-21	41
42	Vb Vd Vf	Finance/ Strategic Partnerships	**Government deal for housing growth:** failure to agree with members of the Oxfordshire councils means we may not meet the deal agreement criteria and result in the no infrastructure funding (of £30m pa over 5 years) for Oxfordshire, which may impact our councils' reputation.	2/3	Andrew Down	Working with partners and developers to deliver the growth deal through the Joint strategic spacial plan (JSSP) Oxfordshire 2050. Growth Deal Programme Board meet monthly across the county . First year target met. Second year targets not met and delivery of growth deal delayed by Covid-19. To be mitigated by a request to government to agree to reprofile the delivery dates.	Andrew Down/ Susan Harbour	2/3	Y	Request to government to agree to reprofile the delivery dates and maintain a watching brief. MHCLG and Homes England have agreed to extend the programme timetables.	Jan-21	42
21	Va	Democratic process	**Changes in the local political landscape** including snap elections, may impact the operational delivery of the councils' corporate objectives.	2/3	Mark Stone	Following the May 2019 local elections all councillors received induction training. There are regular updates and meetings with all opposition parties throughout the year to enable good rapport building. Each service team has a councillor portfolio holder. The SMT monitors through HOS any changes that may impact council operations. The corporate plan is set one year after a local election to ensure any changes as a result of the election are reflected in a new corporate plan. Corporate Plan 2020-2024 was adopted by Council in October 2020 to establish a vision and priorities for the council. A new performance management framework is currently being developed.	SMT/ Margaret Reed	2/3	Y		Jan-21	43

40		**Contracts**	**Failure to learn from contractor poor performance on core council services** (IT/waste collection/grounds maintenance/contact centre/revs and bens and leisure) results in poor services for residents and loss of reputation.	**2/3**	Mark Stone	Methodology to report service breaches are in place, this provides evidence to use in contract re-negotiation. Contracts continue to be under review with focus on lessons learned. Governance structure in place and regular monitoring meetings held. Scrutiny reviews projects as part of Corporate Delivery Framework.	Susan Harbour	**2/3**	**Y**		**Jan-21**	44
45	**Va**	**Strategic Partnerships / Finance**	**Uncertainty over the expressway route** may have impact on the Local plans and the Oxfordshire Plan 2050. Once route agreed it may impact council finances due to costs of running public consultations in the affected areas of the district. Greater impact on South Oxfordshire.	**2/3**	Andrew Down	Route option was expected Autumn 2019. Delayed due to General Election. Expressway decision is "paused" (official government position). Still nothing we can do. Outside of our control.	Andrew Down/ Susan Harbour	**2/3**		The National infrastructure strategy due March 2020 , delayed will set criteria for the routes and Arc status. Continue to keep watching brief. We continue to press for the Expressway decision to be confirmed one way or another but for now it remains officially paused.	**Jan-21**	45
46	**Va**	**Planning/ Finance**	**Abingdon reservoir plans** result in a financial impact for the council to run and attend public enquiries and consultations in the district.	**2/3**	Adrian Duffield / Andrew Down	Budgets have been agreed to fund public engagement in Spring 2020. However, this has been delayed and is subject to Thames Water Public Enquiry 2024 with a possible Commissioning in 2038 , hence public enquiry budget removed. Keep a watching brief.	Andrew Down	**2/3**		Keep a watching brief. Thames Water has recently engaged with Planning team and we need to maintain the dialogue.	**Jan-21**	46
17	**Va** **Vd**	**Programmes**	**Enterprise zone 1 pace of expansion is not quick enough** to realise the business rate income over 25 years to cover the cost of borrowing against projected incomes. Impacted by NICS. Council fails to attract more business or retain business in the zones 1 & 2 thus impacting on business rate income.	**1**	Andrew Down	A requirement to review borrowing . Engage external advice for future income forecasting use the data to assess the level of future borrowing - this is currently being procured. We now have the new forecasting model which still shows acceptable profile even with Covid 19 impacts built in.	Andrew Down/Susan Harbour	**1**	**Y**	Internal forecasting has confirmed we should raise business rates income to cover the cost of borrowing - External consultants are currently working to validate that forecasting result. We have updated forecasts including the impact of the pandemic. EZ1 forecast still projects sufficient income to cover cost of existing borrowing but this is not the climate in which to explore new borrowing for EZ2.	**Jan-21**	47

Risk Profile: Covid 19 Council response to provide help to local community, NHS and other public services whilst maintaining a safe skeleton service operation Resurgence update January 2021

Satisfactory risk assurance AMBER 5

There are currently 17 risks on the register. There is one critical and nine high risks resulting in an average gross risk score of eight. There is enough mitigation in place to reduce the gross risk score rating to an overall average score of five (amber)*.

Top 10 Risks: *(ranked by priority band, numbering is for referencing purposes only)*

Critical

19. Finance: loss of council revenues and increased council expenditure will result in council deficits going forward and inability to progress key projects.

High

9. Staff wellbeing: increased workload impact staff wellbeing and leads to ill health and absence.

10. Staff wellbeing: staff may feel more stress as a result of working from home/135 or volunteering juggling work and childcare etc. Or handling distressing calls in their own home with no one to share the burden with. Results in low morale and an increase in stress of individual.

11. Properties statutory compliance: failure to follow our statutory checks on vacant properties (fire and alarm checks etc) may result in theft and property damage over time and limit our insurance cover.

17. IT Cybersecurity: remote working compromises cyber security.

22. Failure to prepare locally for next resurgence of Covid 19 cases in local area results in vulnerable residents suffering hardship due to inability to access food and medicine.

23. D20 Failure to anticipate the potential impact of the winter weather; Brexit (no deal) and Covid 19 on our districts resulting in economic and health hardship for the districts.

24: Failure to adequately protect our staff and undertake thorough activity risks assessments as they undertake Covid 19 visits to residents and premises a s part of the OCC pan wide activity may result in staff contracting Covid and may lead to potential injury claims in the future

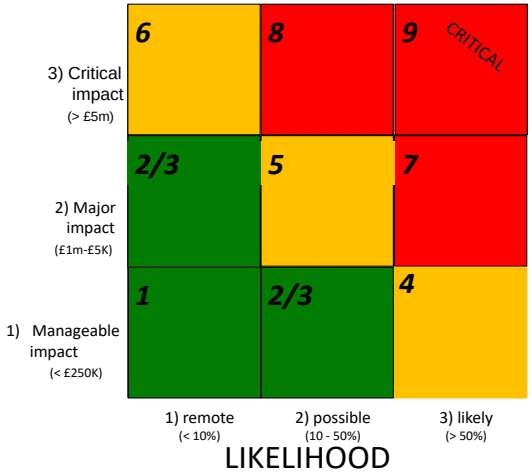
25. Staff Wellbeing: Council service centres (135/Cornerstone) failure to adequately protect staff undertaking council duties

16. IT infrastructure: VPN is unavailable for access, stopping users from logging into the network and access council data and applications

The remaining seven risks are amber with an average gross risk score of five, after mitigation the average net risk rating is reduced to 2/3. (green). This is the thirteenth review of risks at the daily triage meeting.

**The risk score is an average net risk score across the risk profile*

Covid 19 council response *Risk Profile*



New Risk:

Risk 28: Vaccination roll out: Failure to adequately support the roll out of NHS Covid 19 vaccination programme due to lack of clarity as to requirements may hinder mass vaccination in the districts and therefore extend lockdown

Areas of concern:

Risk 19: **Finance:** loss of council revenues and increased council expenditure will result in council deficits going forward and inability to progress key projects, as the pandemic and lockdown measures continue. ***Net risk reduced to likely major impact*** *due to Government financial support throughout the pandemic limiting the council exposure to a deficit.*
There is some mitigation in place, but this is dependent upon the length of time the country is in lockdown and is therefore out of our control. Monitoring the short, medium- and long-term impacts through BRP's.
Risk 17: IT Cybersecurity: remote working compromises cyber security.
Mitigation is in place to ensure staff are made aware of the types of behaviours that may compromise IT security whilst working at home. However again this should be a regular update whilst we must ensure Capita firewalls are resilient.
Risks 9/10/25 - Staff wellbeing though there is enough mitigation in place to reduce the gross risk score this will require constant review throughout this pandemic and when we return to the office. More emphasis on this due to new Lockdown restrictions until March 2021.

Completed risks:

Risk 26: Staff resilience over Christmas if we need to open over Christmas may impact on staff wellbeing and their need for a true break from work

Covid 19 Council response to provide help to local community, NHS and other public services whilst maintaining a safe skeleton service operation during resurgence of Covid 19 Risk Register.

Risk No/Ref	Risk area	Risk description/ consequences	Gross risk rating	Risk owner	Mitigation actions	Action owner	Net risk rating	Tolerable Y/N	Further mitigation actions if required	Review by when
9	Staff workload	Increased workload impact staff wellbeing and leads to ill health and absence. The pandemic resurgence has resulted in remote working for the medium term until 2021.	8	James Carpenter	Regular staff comms. Flexible working policy as set out via HR comms. Re assurance from council that everyone will get paid. Everyone urged to have virtual activities with teams and regular catch ups. Emphasis on HOS and managers to ensure the wellbeing of their team is key and review staff working hours if they take a break and adequate amount of time off. Ongoing strategic HR support, and regular meetings between HR and Unison. New regular pulse surveys have been set up to gauge staff feelings regarding wellbeing to enable SMT to review and take action if needed to address wellbeing issues. Survey launched May. Second pulse survey undertaken we: 26 June. Several surveys have been undertaken and lessons learnt. Combined with SMT Q&A sessions monthly to ensure communication with all staff. We had partially reopened 135 for staff who wish to work at 135 for wellbeing with need to stipulate that this is only for those who are unable to work from home or have unsuitable space or equipment ahome. This will be relaunched as soon as we are able in line with national restrictionsResilience and wellbeing initiatives to be introduced through the winter months. All staff have been given an extra day's holiday over Christmas (Christmas eve) Mgt support ongoing as well as flexitime to manage workload.	David Fairall	8	Y	Regular monitoring and review at triage and SMT. . BRP process helps to identify business and service critical to allow prioritisation of staff workloads.	Jan 2021
10	Staff wellbeing	Staff may feel more stress as a result of working from home/135 or volunteering juggling work and childcare etc. Or handling distressing calls in their own home with no one to share the burden with. Results in low morale and an increase in stress of individual. The pandemic resurgence has resulted in	8	James Carpenter	Regular staff comms. Flexible working policy as set out via HR comms. Re assurance from council that everyone will get paid. Everyone urged to have virtual activities with teams and regular catch ups. Emphasis on HOS and managers to ensure the wellbeing of their team is key and review	David Fairall	8	Y	Regular monitoring and review at triage and SMT Work underway to set up a resilience toolkit to help staff manage stress whilst working	Jan 2021

		remote working for the medium term until 2021.			staff working hours if they are also volunteering to ensure they take a break and adequate amount of time off. Ongoing strategic HR support, and regular meetings between HR and Unison. Several surveys have been undertaken and lessons learnt. Combined with SMT Q&A sessions monthly to ensure communication with all staff. . Resilience and wellbeing initiatives to be introduced through the winter. Months. All staff have been given an extra day's holiday over Christmas (Christmas eve). Scripts for workstream leads to follow and specific training in place (telephone resilience training) to help reduce the stress caused. We had partially reopened 135 for staff who wish to work at 135 for wellbeing with need to stipulate that this is only for those who are unable to work from home or have unsuitable space or equipment ahome. This will be relaunched as soon as we are able in line with national restrictions The new variant has resulted in further lockdown and school closures until March 2021. **The net risk rating has increased to 8 red from amber 6**.				remotely. training in place (telephone resilience training) to help reduce the stress caused.	
11	Health and safety	Failure to follow our statutory checks on vacant properties (fire and alarm checks etc) may result in theft and property damage over time and limit our insurance cover.	8	Emily Cockle	Facilities team and property team undertake regular statutory checks are all vacant properties. Zurich Municipal (ZM) informed of vacant properties due to Covid 19 received guidance on action to take to limit exposure to property damage. Increase staff resource to facilities to enable this work to continue in a covid safe way.	Catrin Mathias	6	Y	Continuous monitoring with H&S team.	Jan 2021

12	Remote working	Failure to ensure staff adhere to remote working policy and do not follow DSE guidelines or have inadequate equipment or working environment results in poor staff wellbeing and injury.	6	James Carpenter	Staff allowed to borrow office equipment to facilitate a safe working environment at home. Comms to staff about how to work from home as well as DSE guidance issued specifically for home working. Review Home working set up with all staff on a regular basis via team leaders and service managers emphasise DSE working arrangements We had partially reopened 135 for staff who wish to work at 135 for wellbeing with need to stipulate that this is only for those who are unable to work from home or have unsuitable space or equipment ahome. This will be relaunched as soon as we are able in line with national restrictions	Sally Truman	5	Y		Jan 2021
13	135 office	Failure to ensure 135 offices operation are safely open for business to key services may compromise council future resilience and result in contraction of covid 19 by staff and visitors to the building .	6	Emily Cockle	Regular staff cover with designate areas both in and out of reception areas to ensure social distancing. Set for opening hours availability of post collection use of printers as well as link to IT to solve issues. Protocols in place to minimise risk of covid 19 contraction by those visiting office with cordoned off areas for visitors and staff. A 135 rota of weekly/ daily attendees is circulated to HoS every week, to control building access. A fire evacuation plan is now in place and those planning to visit 135 over the course of the week and are on the published rotas notify their line manager who ensures they are properly briefed on fire evacuation procedures. The property will be regularly risk assessed fire evacuation on a regular basis as stipulated by H&S consultant. We had partially reopened 135 for staff who wish to work at 135 for wellbeing with need to stipulate that this is only for those who are unable to work from home or have unsuitable space or equipment ahome. This will be relaunched as soon as we are able in line with national restrictionsFire evac, desk booking and cleaning procedures have been drafted in readiness. Await decision as to how the desks will be allocated (by service team bubbles/desk banks hired out by one person each day) Cautious approach to re-opening 135 in	Catrin Mathias	5	Y	Enforce 135 protocols with managers and team leaders. Awaiting further guidance wrt new variant.	Jan 2021

					2021 whereby it is planned to do temp checks and direct that face masks are to be worn whilst walking round the building.					
14	Property	Failure to ensure any vacant council owned properties are protected and do not fulfil insurance requirements may lead to PL and property damage claims which will not be covered. (See risk 11)	5	Emily Cockle	Regular updates on property status to ZM. Follow Zurich Municipal (ZM) guidance regarding security and alarm monitoring. Property team undertake regular stat checks.	Catrin Mathias	2	Y		Jan 2021
16	IT	VPN is unavailable for access, stopping users from logging into the network and access council data and applications	7	James Carpenter	Regular calls to Capita with updates on help desk calls. Users can still access email via Microsoft365 and hold Skype and Teams calls to remain productive. This would be raised as a P1 call by Capita. BAU process to manage P1 calls would be followed. Guidance to users to review their personal network connectivity at home and thus identify where the issue lies (capita infrastructure/their own) identify work arounds such as copy files to P drives etc. An update to the VPN software is expected in mid-January which should alleviate some pressure	Lee Brown	2 3	Y		Jan 2021
17	IT	Remote working compromises cyber security	8	James Carpenter	Guidance and reminders through comms to avoid being hacked. Removing password reset avoids staff resorting to simple passwords and thereby not compromising the network. Password policy being reviewed to introduce longer passwords to improve security. VPN access uses a second factor passkey which is unique to each user. Users to only access network using council issued equipment. Cyber incident group to review council cyber exposure and implement policy updates and awareness campaigns.	Simon Turner Lee Brown	5	Y	Regular monitoring and review at triage and SMT. Capita monitoring network for unusual activity and reporting to councils Action recommendations from security audit regard staff behaviours and awareness particularly during remote working. Update Jarvis pages etc.	Jan 2021
18	BAU council services and future resilience	Failure to ensure the council statutory and key services are not compromised during this event as it may result in a slow recovery and poor future business resilience or financial penalties if statutory deadlines are missed or result in non-compliance.	5	Mark Stone	BRP in place across services outlining critical services and their requirements to ensure BAU. Constantly monitoring and updating via daily triage and SMT. Proof we are resilient over the 6 months and beyond this is the new BAU.	SMT	3	Y	Review council impact on missed statutory reporting deadlines or removal of statutory services. Ongoing.	Jan 2021

					Work to revise service BRP team arrangements ongoing. **Net risk reduced to 3 from 5 amber**					
19	Finance	Loss of council revenues and increased council expenditure will result in council deficits going forward and inability to progress key projects.	9	Mark Stone	Finance team keep watching brief on expenditure via spreadsheet and undertake impact assessment. S151 across Oxfordshire meet regularly to discuss collective impact. To enable monitoring, the BRPs for all service teams will have a finance tab to facilitate efficient collection of this data for finance once they have given a steer on the type of information required. Due to longevity of pandemic constant monitoring required. Reports on arrangement of payments made to central Government. BRPs are monitoring expenditure and reporting requirements. **Net risk reduced to likely major impact** due to Government financial support throughout the pandemic limiting the council exposure to a deficit.	Simon Hewings	7	N	Keep watching brief to enable revenue collections at earliest opportunity once lockdown is eased, support revenue creating service through lockdown. Continuously monitor expenditure to better understand the short, medium- and long-term financial exposure.	Jan 2021
20	Communications	Failure to communicate accurate up to date information to key stakeholders (residents/Cllrs/volunteers and council staff) may result in errors and poor service to our residents which may leave them without essential items and services during lockdown.	5	James Carpenter	Most key messages are centrally sourced and therefore there are continuous checks from the source to ensure accuracy. The Gold/Silver command structure enable regular checks and clarity around messages daily sense checked via council triage team. New variant will require a review of comms going forward. Comms team are active members of triage, system wide comms cell at LRF.	Shona Ware	2		Regular monitoring and review at triage and SMT	Jan 2021
22	Community HUB	Failure to provide a local community response during lockdown and winter results in vulnerable residents suffering hardship due to inability to access food and medicine.	8	Ben Coleman	Permanent community hub team set up. All processes reviewed and streamlined to ensure the service can work smoothly ensuring an appropriate and prompt response to our residents. Processes streamlined to focus staff on the information that we need to try and mitigate staff stress when dealing with complex cases. New distribution centre set up at Cornerstone which has been risk assessed and inspected by H&S advisors and Food	Louise Birt	5		Monitor potential scope creep with potential active involvement in supporting vaccination and testing cells.	Jan 2021

					Safety Team. 1800 ambient food parcels are ready for distribution. Food supply chain being monitored by the Hub team as we approach D20. Winter weather planning included in staff risk assessments. Reviewing HR policies to redeploy staff to the Hub and iour System Partners in case of high resource demand Grant system set up to support VCS's working in this area and supermarket voucher scheme set up with local advice centres. This is set to be extended to enable Hub team to distribute to clients referred in by food banks. The new variant has resulted in further lockdown with business and school closures until March 2021 this will impact economic viability and potential increase in hardship going forward across the districts. The hub is now helping support testing and vaccination.					
23	D20	Failure to anticipate the potential impact of the winter weather; Brexit (no deal) and Covid 19 on our districts resulting in economic and health hardship for the districts.	8	James Carpenter	LRF attend for EU transition. Oxfordshire group meetings and triage. Brexit Deal was struck in December reducing district impact exposure, maintain watching brief at EU transition meetings. The new variant has resulted in further lockdown with business and school closures until March 2021 this will impact economic viability and potential increase in hardship going forward across the districts. We are now seeing impact on delivery supply lines in the short term and may impact affordability.	Sally Truman Ben Coleman	6		BRP process. Continue to monitor the situation.	Jan 2021
24	Test and trace	Failure to adequately protect our staff and undertake thorough activity risks assessments as they undertake Covid 19 visits to residents and premises as part of the OCC pan wide activity may result in staff contracting Covid and may lead to potential injury claims in the future	8	S Malcolm	Risk assessment of activity undertaken. Membership of MAOC an Oxfordshire wide group. Triage meeting for updates. In light of new variant review of all protocols and procedures including activity risk assessments to take into account any further action and requirements to reduce the impact of transmission of new variant whilst undertaking council duties. H&S coordinating these risk assessments along with lone working reporting mechanism in pace to monitor staff. Public Health have	Liz Hayden	5		Monitoring of workload. Risk assessments under constant review and Coordinated through the H&S team.	Jan 2021

					reviewed the council mgt of this and are happy with our approach.					
25	Staff wellbeing	Council service centres (135/Cornerstone) failure to adequately protect staff undertaking council duties.	8	Emily Cockle	Protocol in place to manage reporting of cases and isolation actions and cleaning procedures. Lone worker procedures facilities compliance checks on closed. In light of new variant review of all protocols and procedures including activity risk assessments to take into account any further action and requirements to reduce the impact of transmission of new variant whilst undertaking council duties.	Catrin Mathias	5		Risk assessments under constant review and Coordinated through the H&S team.	Jan 2021
27	IT infrastructure	Data security compromised due to remote working, which may result in data breach and fines/loss of reputation.	5	James Carpenter	Regular monitoring and review at triage and SMT. Capita monitoring network for unusual activity and reporting to councils Action recommendations from security audit regard staff behaviours and awareness particularly during remote working. Update Jarvis pages etc	Simon Turner Lee Brown	5			Jan 2021
28	Vaccination and testing resources support	Failure to adequately support the roll out of NHS Covid 19 vaccination programme due to lack of clarity as to requirements may hinder mass vaccination in the districts and therefore extend lockdown.	5	Ben Coleman	Identify requirements from NHS, Review BRP's staff arrangements to identify staff to fit the requirements. Redeploy and review impact on BAU services. Adequate risk assessments in place. Balance our own business critical activities and hub requests with NHS requests.	Ben Coleman	5			Jan 2021
26	Staff wellbeing	Staff resilience over Christmas if we need to open over Christmas may impact on staff wellbeing and their need for a true break from work.	8	James Carpenter	Await direction. Prepare draft notes and guidance. Completed all ran smoothly over Christmas (4 food parcels delivered and 1 prescription after receiving seven telephone referrals)	David Fairall Ben Coleman	5		Review cover on minimum and needs must. OOH rota two teams each team has a week off. Ambient food parcels delivery from home.	Jan 2021 completed

***15**	IT	Failure to provide enough equipment to enable remote working due to lack of software (VPN licenses etc)	5	Triage Team	Regular updated with capita. Review user list and remove users who have left off system and therefore free up licenses (undertake Capita housekeeping) All staff remote working successfully.	Triage Team	2	Y	Aim to have all staff remote working with suitable equipment by mid-April. Complete	20 Oct completed
22	Community HUB - IT	Data sheets corrupted and delays community hub activity (call outs and referral records)	8	Triage team	Whilst spreadsheets are being used, daily or sooner back-up copies are made to the network. Corrupt copies can be retrieved quickly by the team. Longer term solution is a community hub database to manage the data reliably. Database will be backed up daily and has minimal likelihood of corruption.	Triage team	2	Y	Introduction of database will create a managed data environment for the Hub data. Same environment as other datasets such as Ocella etc.	6 May completed

Risk rating:

- Limited /no assurance/critical
- Satisfactory assurance/risks
- Full/substantial assurance /risks

Joint Audit and Governance Committee

Report of the Head of Corporate Services

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To: Joint Audit and Governance Committee

DATE: 26 January 2021

Health and Safety Progress Review

Recommendation

That the committee undertakes a half yearly progress review of Health and Safety actions as outlined in the Health and Safety strategic review and notes the progress made against the corporate Health and Safety Action Plan.

Purpose of the review

1. This is the half yearly progress review of the Health and Safety actions as outlined in the Health and Safety Strategic review undertaken in 2019 and subsequent action plan. This review follows on from the joint audit and governance committee report on 13 July 2020.

Strategic Objectives

2. Managing the business safely underpins all of our strategic objectives.

Background

3. As part of the ongoing commitment to a robust health and safety management system some key actions were outlined in the report to this committee in July 2020.

4. The actions support and contribute to more efficient procedures and services, provide for an assessment where necessary, and update of health and safety compliance. They introduce mechanisms for the escalation of health and safety performance outcomes and enable the councils to demonstrate adherence to the requirements of UK health and safety legislation.

Progress on actions

5. We have recruited a new Health and Safety team that comprises a Senior Health and Safety Advisor and a Health and Safety Officer.

6. The new Health and Safety Policy provides our general policy on health and safety at work, including our commitment to managing health and safety and our aims, roles of staff in our organisation who have specific responsibility for the various areas of health and safety, and details of the practical arrangements we have/are working on to achieve our Health and Safety Policy aims. The Policy conforms to the requirements of the Health and Safety at Work Act 1974 (HASAWA) and the fact that we are following the Health and Safety Executive safety management model as per Health and Safety Guidance no. 65. A copy of the new policy is attached to this report.

7. As previously reported to the Committee the councils' have a formalised system of governance and assurance in place to verify the positives and focus effort on areas requiring improvement in the councils' health and safety performance. This is provided through performance metrics, management oversight and formal audit; with this Committee having an oversight and scrutiny role.

8. We have introduced a number of KPI's to support scrutiny and provide assurance; where current performance is known this is included in the graphs at appendix 1.

9. In addition the team have provided a comprehensive set of guidance, checklists and procedures, to assist council staff in complying with health and safety requirements with regards to Covid 19.

10. We have carried out a review of health and safety induction training, which is mandatory for all staff on the Councils online training tool LEAH.

11. A recent audit of our lone worker arrangements received satisfactory assurance, with 12 recommendations which the team are currently working to implement.

Financial Implications

12. There are financial implications if we fail to fulfil our duties under HASWA. These range from prosecution and fines for lack of suitable safety management procedures and implementation through to specific prosecution fines and claims payments for not delivering safe plant, equipment, buildings, locations and processes.

Legal Implications

13. As above there are legal implications if we fail to fulfil our duties under HASWA.

Risks

14. Risk identification is an integral part of our health and safety management system, and of this progress review.

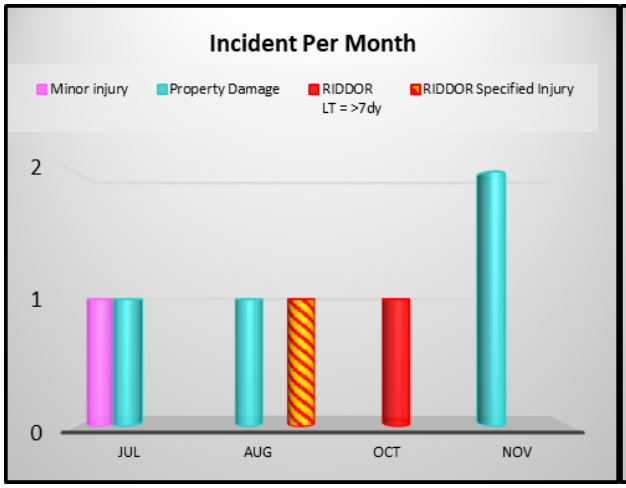
Other Implications

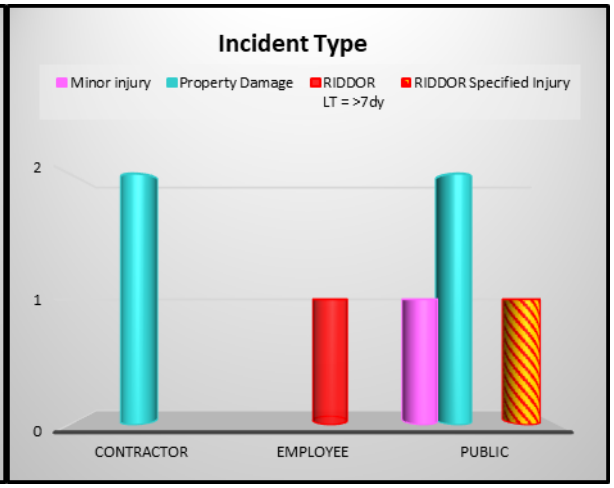
15. Any major incident or injury caused to staff, the public or our contractors as a result of failure in our health and safety system could result in significant reputational damage.

Background Papers

None

Appendix 1 - Health and Safety Key Performance Indicators





Accidents

This is a brief summary of all accidents that have occurred during the period covered by the report complete with an update of current status. This includes the type of accident such as Riddor specified injury, Riddor > 7 day, lost time, minor injury, employee, contractor, member of the public and visitor.

Accidents reported during the reporting period are:

1. Member of public - 4 year old child fell 1.5 metres into unguarded culvert resulting in minor injuries. Investigated and corrective action of guarding completed. Further action: to proactively risk assess culverts and identify where guarding is required and action accordingly.
2. Member of the public - 6 year old child broke their leg while playing on a carousel. Investigated and remedial actions in progress. Riddor accident notified to Health and Safety Executive.
3. Employee – fell off playground climbing equipment whilst undertaking inspection resulting in bruising. Investigation ongoing. Riddor over 7 day accident notified to HSE.

Property Damage

A brief summary of incidents which have resulted in property damage with no related injuries:

1. Council tree fell in car park due to root failure. Damage to 4 cars. Tree decay above ground was not visible because it was hidden by a wall directly adjacent to the tree.
2. Council tree fell due to strong winds causing damage to a fence.
3. Employees manually manoeuvring a mobile pressure washer, lost control and pressure washer collided with a stationary vehicle resulting in damage to the vehicle. Investigation ongoing.
4. Employees digging a grave, adjacent grave headstone and plinth slightly subsided towards the open grave. Investigation ongoing.

Near Misses and Potential Situation Reports
A near miss or potentially dangerous situation is a report identifying potential hazards where no injury or damage has occurred. None reported during the period.

Further KPIs
The following KPIs will be reported in future reports to this Committee once data is known:

Mandatory Health and Safety Training Course
The plan is to produce new mandatory safety training modules to refresh, revitalise and engage with staff. The courses are expected to include managing contractors, safety reps, risk assessment, permits to work, working safely, managing safely, safety for senior executives and safety induction.

We are currently developing a S&V managing safely module with the intention of commencing rollout in early 2021.

H&S Service Self Inspections
The intention is for managers of all levels to undertake auditable, trackable and traceable safety inspections of their respective areas of control. Targets for the number of inspections planned for each service area will be agreed.

Health & Safety Policy

South Oxfordshire and Vale of White Horse District Councils

South Oxfordshire District Council

Listening Learning Leading

Vale of White Horse District Council

Change Record	
Policy Title	Health and Safety Policy
Version Number	v9 – Complete re write of policy
Owner(s)	Senior Health and Safety Advisor
Author(s)	Hanif Brora
Approved by	Chief Executive, Date 2 December 2020
Effective date	1 January 2021
Renewal date	Approval date 3 years

CONTENTS

1.0 STATEMENT of INTENT

1.1 South Oxfordshire District Council and Vale of White Horse District Council (the councils) recognise our responsibilities to our employees and will do all that is reasonably practicable to ensure their health, safety and welfare at work, including working from home.

1.2 The councils will so far as reasonably practicable, ensure that the health and safety of other persons is not put at risk by our activities, services and undertaking.

1.3 The councils give matters of health and safety equal importance to those of economy and productivity and seeks improvement in health and safety performance year on year.

1.4 The councils believe that injuries and ill health suffered at work can be prevented through effective management control and intervention.

1.5 The councils will provide safety information, instruction and training to our employees.

1.6 The councils will monitor the implementation of these arrangements and the safety performance of the councils.

1.7 The councils will manage our operations and staff in accordance with current statutory requirements.

1.8 The councils will provide competent resource in the field of health and safety to provide guidance to councillors and staff.

1.9 The councils seek cooperation from all employees in matters of health and safety at work. Employees are all directly responsible for health and safety at work.

1.10 The councils recognise the important and valuable role played by safety representatives. Safety Forums will be set up to facilitate consultation on health and safety issues.

1.11 The councils will review this Health and Safety Policy on a three-yearly cycle.

1.12 The councils will manage accidents, as well as potential major accident hazards in accordance with legislation and best practice.

1.13 The councils will promote a drug and alcohol-free workplace and encourage employees to report potential drug and alcohol issues in their respective workplaces.

1.14 The councils will develop and implement a health and safety management system following the Health and Safety Executive's, Health and Safety Guidance No. 65 "Managing for Health and Safety".

1.15 This Health and Safety Policy applies to all of the councils employees and to all councillors. Disciplinary action (including dismissal, where appropriate) may be taken against any employee found to be in breach of their personal responsibilities either under safety legislation or under the councils Health and Safety Policy.

Mark Stone
Chief Executive
2 December 2020

2.0 ORGANISATION and RESOURCE

2.1. The council's safety organisation chart (see Appendix 1) illustrates the lines of responsibility for health and safety within the councils.

2.2. The ultimate responsibility for safety within the councils lies with the Chief Executive. The Chief Executive assumes the role of the councils Safety Director. Health and Safety has a dedicated monthly update at the Senior Management Team (SMT) meetings, to advise and report to the SMT on health and safety issues and performance in the councils.

2.3. The councils have appointed suitable qualified safety professionals as Senior Health and Safety Advisor and Health and Safety Advisor, to advise and assist managers on all aspects of safety management.

2.4. Acting Deputy Chief Executives, Heads of Service and Service Managers are responsible for health and safety matters within their areas of control and will ensure implementation of this Policy and the provision of appropriate resource for implementation of this Policy.

2.5. Chief Executive, Acting Deputy Chief Executives, Heads of Service, Managers and Team Leaders have responsibility for health and safety matters relating to persons reporting directly to them.

2.6. Every employee will take care, for his or her own health and safety, and for others whom their acts or omissions at work may affect.

2.7. All employees are encouraged to monitor health and safety issues at their workplaces and report matters of concern to their line managers.

2.8. Every councillor will take care, for his or her own health and safety, and for others whom their acts or omissions during carrying out their duties may affect.

3.0 SAFETY PERFORMANCE STANDARDS

3.1. Safety targets will be agreed by SMT each year and subsequently publicised. The councils aim to have no reportable accidents, no lost time accidents and no reportable dangerous occurrences as their ultimate goal.

3.2. Standards required by law and the council's safety policies and procedures will be complied with at all council locations. In addition, all locations are encouraged to put in place initiatives to improve safety standards based on local risks.

3.3. Risk assessments of work activities, council land, buildings, areas, plant, equipment, and disused areas and buildings will be carried out at all locations in accordance with the councils Risk Assessment Policy. These will be kept under review to ensure that the risks to health or safety of employees, tenants, customers, visitors and the public are prevented or controlled through appropriate measures. Competent persons will carry out these risk assessments. Key findings from these assessments will be recorded. Employees and/or safety representatives, as appropriate, will be consulted when carrying out these assessments, where relevant. Risk assessments will be developed into safe systems of work and communicated to those affected.

3.4. All projects and new business activities involving significant risks to health or safety shall be the subject of a documented safety review involving the relevant Head of Service/ Service Manager and the Senior Health and Safety Advisor.

3.5. Safety training for employees will be kept under review and carried out in accordance with the councils Safety Training Policy.

3.6. Safety policies, procedures, codes and guidance notes have been devised and are issued from time to time to support the safety management system and assist in developing safe systems of work. It is the responsibility of all managers and team leaders to ensure that these policies, procedures, codes and guidance notes are implemented. Any requirements for modification or revision should be notified to the Senior Health and Safety Advisor.

3.7. The councils will have a Health and Safety Forum, consisting of employees and management representatives, as well as the Senior Health and Safety Advisor. The Chief Executive or in his absence an Acting Deputy Chief Executive will chair the forum. Guidelines for the functions of representatives and the forums are given in the publication 'Safety Representatives and Safety Forums'. Forum meetings will be minuted and copies will be posted on noticeboards and circulated to relevant individuals.

3.8. At each location, adequate measures will be in place to deal with foreseeable emergencies. This includes the provision of first aiders, first aid equipment, first aid room, fire detection, firefighting equipment, fire wardens and documented emergency plans, as appropriate to the level of risk. Documented emergency plans will be exercised periodically.

3.9. Information relating to accidents and incidents at each location, along with other relevant information, shall be clearly communicated to employees.

3.10. The council's policy on managing contractors will be consistently applied.

3.11. The councils' plant, equipment, buildings, structures and areas will be inspected and maintained in line with statutory requirements and the council's inspection procedures. Records will be kept in respect of inspections and maintenance.

3.12. There should be regular contact with tenants, customers, contractors and other agencies during which health and safety issues will be discussed.

4.0 REPORTS, AUDITS, REVIEWS and MONITORING

4.1. Each year all services will establish safety targets and report on these in the form of an Annual Safety Review to the relevant Acting Deputy Chief Executive. The Acting Deputy Chief Executive responsible for each area will summarise performance against these targets in reports to the Chief Executive.

4.2. At each location, safety performance standards will be monitored by way of safety inspections, audits and reviews.

4.3. Accidents, dangerous occurrences and near misses will be recorded and thoroughly investigated to ensure that effective measures are taken to prevent recurrence.

4.4. All accidents, dangerous occurrences and near misses will be notified to the councils' health and safety team in line with the councils' health and safety reporting procedure.

4.5. The Senior Health and Safety Advisor, or their appointed representative, will audit various services on a three year cycle.

4.6. SMT will be provided with quarterly reports and annual reviews of safety performance in the organisation. The Senior Health and Safety Advisor may present an overview of updates at SMT as deemed appropriate.

5.0 INDIVIDUAL RESPONSIBILITIES

5.1 **All Employees**

5.1.1. Be aware of personal responsibilities for health and safety at work (see Appendix 2).

5.1.2. Comply with the councils safety policies, safety codes, other procedures and safe systems of work issued to them.

5.1.3. Ensure that where personal protective equipment is specified and issued for a particular activity or location, it is used in the appropriate manner and any defects are reported immediately to their team leader or manager.

5.1.4. Report immediately to their team leader or manager any accidents, incidents, near misses or hazards at their place of work, on areas and buildings for which staff are responsible or any query regarding health and safety issues or documents.

5.1.5. Co-operate in the risk assessment process and the production of safe systems of work, the investigation of accidents and incidents, participation in training programmes and the achievement of health and safety targets.

5.1.6. Make full use of health and safety forum meetings by making suggestions for improving health and safety and by reporting all potential hazards and risks to their team leader, manager or safety representative.

5.1.7. Use materials, plant and equipment in accordance with the information, training and instruction given.

5.1.8. Use their best endeavors to assist the councils in doing everything that is reasonably practicable to safeguard the health and safety of its employees and others and to achieve the annual health and safety targets.

5.2. All Team Leaders

In addition to the duties in section 5.1 above, for locations or activities under their control:

5.2.1. Assist their manager in investigating accidents, dangerous occurrences and near misses and actively report matters of concern.

5.2.2. Ensure risk assessments and safe systems of work relating to activities under their supervision are produced, properly communicated and fully implemented.

5.2.3. Encourage safe working practices, promote safety campaigns and make suggestions to improve safety standards.

5.2.4. Assist those under their supervision to understand individual responsibilities and the contents of safe systems of work by carrying out and recording regular *toolbox talks.

*A 'toolbox talk' is a short presentation to the workforce on a single aspect of health and safety

5.3. All Service Managers

In addition to the duties in section 5.1 above, for areas under their control they must:

5.3.1. Ensure the implementation of the councils Health and Safety Policy, safety management system and other procedures, with particular reference to the safety performance standards detailed in section 3.

5.3.2. Ensure risk assessments are carried out and safe systems of work are produced, communicated and implemented.

5.3.3. Ensure that emergency plans for their areas of responsibility are prepared, kept up to date through regular reviews and periodic testing.

5.3.4. Seek advice and assistance on health and safety from the Senior Health and Safety Advisor.

5.3.5. Carry out formal periodic safety inspections of areas under their control on a planned basis and report to the Acting Deputy Chief Executive or Head of Service as appropriate.

5.3.6. Promote safe working practices actively, to promote a positive attitude to safety which supports the council's safety awareness campaigns.

5.3.7. Ensure that accidents, dangerous occurrences and near misses are immediately reported to the relevant line manager and the health and safety team.

5.3.8. Ensure that accidents, dangerous occurrences and near misses are properly investigated in accordance with health and safety procedures and any resulting actions are promptly implemented.

5.3.9. Ensure that remedial actions arising from audits and safety inspections are completed within an agreed timescale.

5.3.10. Ensure that the work carried out by contractors on behalf of the councils is properly managed and that the council's policy on managing contractors is implemented.

5.3.11. Ensure that, where third parties are likely to be affected by the councils undertaking, they are informed of any such risks to their health and safety.

5.3.12. Ensure that all projects, new activities and services involving significant foreseeable risks to health and safety shall be the subject of a documented safety review involving the relevant operational management and safety team.

5.3.13. Identify the safety training needs of employees under their control and ensure that such training is provided periodically.

5.4. Engineering Management – Acting Deputy Chief Executive – Place

Including Head of Housing and Environment, Head of Planning, Head of Development & Regeneration, Maintenance Managers/ Engineers, Project Managers/Engineers and Engineering Technical Service Staff.

In addition to the duties in section 5.1 and 5.3, for areas and activities under their control:

5.4.1. Ensure that the design, construction, specification, procurement and maintenance of plant, equipment and structures are properly planned, subject to suitable risk assessment and managed safely.

5.4.2. Ensure that plant, equipment and structures are inspected by competent persons in accordance with the councils Inspection Procedures and maintained in a safe condition.

5.4.3. Ensure that disused and/or non-operational equipment, plant and structures under the council's control are subject to a suitable risk assessment and are managed in a safe manner.

5.5. Property Management – Acting Deputy Chief Executive – Place

Including Head of Housing, Head of Planning and Environment, Head of Development & Regeneration, Property Manager, Estate Managers and other Property/Estate/Land Management.

In addition to the duties in sections 5.1 and 5.3, for areas or activities under their control:

5.5.1. Ensure that the management of occupied and vacant property is properly planned, subject to a suitable risk assessment and managed safely.

5.5.2. Ensure the health and safety responsibilities are clearly and formally defined in all situations including council occupation only, multi occupancy and/or third-party occupation only.

5.5.3. Ensure that all duties required to keep the premises safe and compliant are undertaken.

5.6. Heads of Service

In addition to the duties in section 5.1 and 5.3, for areas or activities under their control must:

5.6.1. Ensure that all accidents, dangerous occurrences and near misses are properly reported and investigated and that any remedial measures are identified, implemented and monitored.

5.6.2. Ensure that they and their teams deliver on the relevant actions in relation to property and engineering management as listed in 5.4 and 5.5 on behalf of the Acting Deputy Chief Executive – Place.

5.6.3. Present monthly and annual reports to their line manager on the safety performance of their operation.

5.6.4. Ensure that buildings, structures, equipment and the estates under their control are properly inspected and maintained, so as not to create a foreseeable risk to the health or safety of council's employees or other persons.

5.6.5. Ensure that managers and others under their direct control carry out their respective duties within the requirements of this policy.

5.6.6. Ensure that there are adequate measures in place for first aid and to deal with other emergencies applicable to their area of responsibility.

5.6.7. Carry out formal inspections, on a planned basis, of randomly selected areas or activities, with the Safety Advisor and/or other managers.

5.6.8. Ensure that safety is a major consideration in all projects involving new business, construction and maintenance and the purchase of new plant or equipment and to ensure that formal, documented safety reviews take place at the appropriate time when there are significant health and safety risks.

5.6.9. Ensure that emergency plans are regularly reviewed and that emergency drills are carried out as appropriate.

5.6.10. Ensure that essential safety equipment is provided and maintained.

5.6.11. Ensure that remedial action arising from safety inspections, audits or following accidents or incidents are completed.

5.7 Safety Management – Health and Safety Advisor

In addition to duties in sections 5.1 and 5.3, for areas under their control:

5.7.1. Advise management on all aspects of health and safety at work, including the implementation of the councils safety policies, safety management system and other procedures.

5.7.2. Support line management in the investigation of accidents, dangerous occurrences and near misses in our undertaking and recommend remedial measures to prevent recurrence.

5.7.3. Carry out formal periodic safety inspections and safety walkabouts with managers and safety representatives, on a planned basis and to submit reports to the Senior Health and Safety Advisor.

5.7.4. Liaise with the Senior Health and Safety Advisor, enforcing authorities, insurance companies on matters relating to health and safety at work.

5.7.5. Assist line management in planning and delivering safety training.

5.7.6. Attend safety forum meetings and provide reports, advice and guidance on safety performance and other safety issues.

5.7.7. Assist line management in monitoring exposure of personnel to harmful substances or agents and advise on effective control measures.

5.8 Safety Management - Senior Health and Safety Advisor

In addition to the duties under sections 5.1 and 5.3, for areas or activities under their control:

5.8.1. Advise Chief Executive, Acting Deputy Chief Executives and Managers on all aspects of health and safety at work and its undertaking.

5.8.2. Keep abreast of changes in legislation and interpret new or amended legislation for implementation within the councils.

5.8.3. Investigate major incidents and serious accidents as directed by the Chief Executive.

5.8.4. Provide functional leadership and management to the safety management team.

5.8.5. Continually improve the councils safety policies, safety management system and other procedures, to ensure their effectiveness.

5.8.6. Carry out periodic safety audits of council operations and facilities at agreed intervals and report to management and the SMT meeting.

5.8.7. Establish appropriate safety training standards for implementation within the councils.

5.8.8. Ensure appropriate policies, procedures and standards are produced in the key areas to meet all statutory and other regulations, the aims of the councils, and audit implementation of these policies and procedures.

5.8.9. Monitor the council's safety performance against agreed proactive objectives.

5.8.10. Advise SMT on significant foreseeable health and safety implications of SMT decisions.

5.8.11. Lead in carrying out formal documented project safety reviews of existing and new projects involving significant foreseeable risks to health and safety with relevant functional management.

5.8.12. Keep accidents and incidents under review in order to identify any adverse trends and advising SMT/the Chief Executive accordingly.

5.8.13. Represent the councils in working groups involving statutory authorities, insurance companies and other organisations, where applicable.

5.8.14. Prepare and monitor safety key performance indicators and improvement targets for reporting to SMT and highlight trends requiring specific action.

5.8.15. Attend the council's safety forum meetings.

5.8.16. Ensure best practice in safety management is shared throughout the councils.

5.9 Acting Deputy Chief Executives

In addition to the duties in section 5.1 and 5.3, for areas or activities under their control they must:

5.9.1 Ensure the implementation of the councils Health and Safety Policy, safety management system and other procedures with particular reference to the safety performance standards detailed in section 3.

5.9.2 Seek advice and assistance on health and safety matters concerning their areas from the Senior Health and Safety Advisor.

5.9.3 Ensure that adequate resources are available to meet health and safety targets.

5.9.4 Ensure that health and safety is always an agenda item at meetings with their management teams and those affecting safety.

5.9.5 Report to the Chief Executive on the safety performance of their areas of responsibility.

5.10 Acting Deputy Chief Executive – Place

In addition to the duties in sections 5.1, 5.3, 5.4, 5.5 and 5.9, for areas or activities under their control:

5.10.1 Ensure the estate and property management has appropriate guidance to implement the requirements of the councils Health and Safety Policy, safety management and other procedures.

5.10.2 Must ensure that all property related projects, new business and activities involving significant foreseeable risks to health or safety are subject to a documented safety review.

5.10.3 Where appropriate, to advise the Chief Executive on any property related solutions to specific safety issues.

5.10.4 Must ensure that engineering management has appropriate guidance to implement the requirements of the councils Health and Safety Policy, safety management system and other procedures, in areas and activities under their control.

5.10.5 Where appropriate to advise the Chief Executive on any engineering related solutions to specific safety issues.

5.10.6 Must ensure appropriate policies are established for the engineering aspects of planning, designing, constructing, specifying or procuring plant, equipment and structures.

5.10.7 Must ensure appropriate policies are established for the inspection and maintenance of plant, equipment and structures within the councils undertaking.

5.11 Councillors

5.11.1 Councillors are not responsible for managing health and safety services on a day-to-day basis but must understand the strategic way in which they can affect health and safety management in the councils.

5.11.2 Councillors will have both individual and collective governance responsibilities.

Councillors responsibilities are to:

5.11.3 Ensure that the Chief Executive has in place an effective health and safety policy

5.11.4 Hold to account the Chief Executive for the implementation of the Health and Safety Policy

5.11.5 Ensure that decision-making systems allow for health and safety implications to be given appropriate and proper consideration and are in line with the councils' policies and procedures

5.11.6 The Cabinet Member for Corporate Services is the lead councillor for health and safety for each Authority and will receive monthly updates on health and safety, along with copies of the Health and Safety Quarterly and Annual Reports, and details of major incidents and accidents.

5.11.7 The Joint Audit and Governance Committee are responsible for scrutinising the councils health and safety performance through biannual reports to the Committee.

5.12 Chief Executive

In addition to the duties in sections 5.1 and 5.3 must:

5.12.1 Ensure the councils have an effective health and safety management structure for the implementation of the councils Health and Safety Policy, safety management system and other procedures.

5.12.2 Ensure that effective monitoring takes place within the councils on the implementation of the councils safety policies, safety management system and other procedures.

5.12.3 Receive oral and written reports from Acting Deputy Chief Executives and other relevant Managers, on fatal, major injury and other accidents and dangerous occurrences and report to the cabinet as necessary.

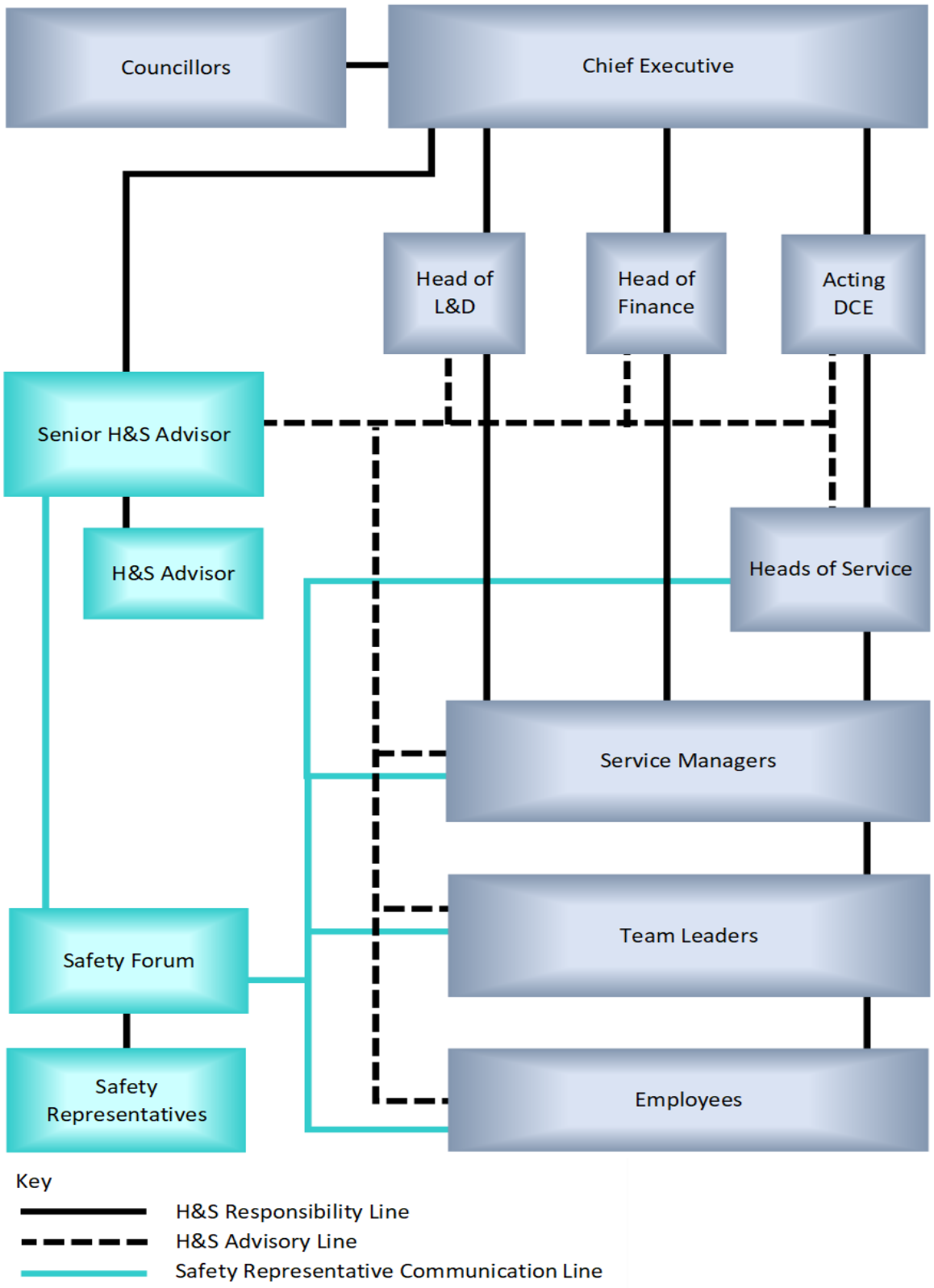
5.12.4 Delegate where appropriate, investigations of serious accidents and dangerous occurrences (or other safety related issues) to the most appropriate competent persons, depending on the severity of the incident.

5.12.5 Receive regular reports from the Senior Health and Safety Advisor on the safety performance of the organisation, and annual reports from the Acting Deputy Chief Executives on the safety performance of their areas of responsibility.

5.12.6 From time to time, review the safety performance of the organisation with the Senior Health and Safety Advisor and, as appropriate, with the Acting Deputy Chief Executives.

5.12.7 Assess and approve this policy at least every three years to determine its effectiveness and appropriateness.

Appendix 1 – Councils Safety Organisation Chart



Appendix 2 – Specific Health and Safety Responsibilities

Health and Safety at Work Act 1974: General duties of employees at work.

Section 7 –

"It shall be the duty of every employee while at work:
to take reasonable care for the health and safety of himself and of other persons who may be affected by his acts or omissions at work; and
as regards any duty or requirement imposed on his employer or any other person by or under any of the relevant statutory provisions, to co-operate with him, so far as is necessary, to enable that duty or requirement to be performed or complied with."

Section 8 –

"No person shall intentionally or recklessly interfere with or misuse anything provided in the interests of health, safety or welfare in pursuance of any relevant statutory provisions."

Section 36 –

"Offences due to fault of other persons. Where the commission by any person of an offence under any of the relevant statutory provisions is due to the act or default of some other person, that other person shall be guilty of the offence, and a person may be charged with and convicted of the offence, by virtue of this subsection whether or not proceedings are taken against the first mentioned person."

Section 37 –

"Where an offence under any of the relevant statutory provisions committed by a body corporate is proved to have been committed with the consent or connivance of, or to have been attributable to any neglect on the part of any director/ executive, manager, secretary or other similar officer of that body corporate, or a person who was purporting to act in any such capacity, he as well as the body corporate shall be guilty of that offence and shall be liable to be proceeded against and punished accordingly."

Appendix 3 – Guidance on Safety Management of Land and Buildings

Acting Deputy Chief Executive (DCE) Place is accountable for:

- provision and maintenance of building and grounds, both owned and/or managed by the councils;
- producing and maintaining building fire risk assessments, including evacuation drills;
- statutory testing of building fabric, structure and building systems;
- ensuring that all land, buildings and areas are inspected as a minimum once per year and remedial actions taken as required.

Council occupied buildings:

The occupier (name/ title holder) where the council are in the role as occupier, it is their duty to ensure that the space allocated to them is used safely and in accordance with the designed use.

The occupier shall:

- consult with DCE Place or external landlord to enable the building to be maintained in a safe condition and to report defects or building related accidents or incidents;
- cooperate with DCE Place to define the responsibilities for managing equipment and services.

Shared Premises:

DCE Place is responsible to ensure that effective arrangements exist:

- for cooperation, coordination and communication of health and safety measures with other occupiers sharing the council facilities;
- exchange of information on risks within the working environment and safe systems of work;
- cooperate on matters such as implementation, evacuation procedures, waste disposal, car parking etc.

South Oxfordshire District Council

Listening Learning Leading

Report to:

Joint Audit and Governance Committee
Cabinet
Council

Report of Interim Head of Finance

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To:	JOINT AUDIT AND GOVERNANCE COMMITTEE on	26 January 2021
	CABINET on	04 February 2021
	COUNCIL on	11 February 2021

Treasury Management and Investment Strategy 2021/22

Recommendations

That Joint Audit and Governance Committee approves each of the following key elements of this report, and recommends these to Cabinet:

1. To approve the treasury management strategy 2021/22 set out in appendix A to this report;

2. To approve the prudential indicators and limits for 2021/22 to 2023/24 as set out in, appendix A.

3. To approve the annual investment strategy 2021/22 set out in appendix A, and the lending criteria detailed in table 6.

That Cabinet considers any comments from committee and recommends Council to approve report.

Purpose of report

1. This report presents the council's Treasury Management Strategy (TMS) for 2021/22. This sets out how the council's treasury service will support financing of capital investment decisions, and how treasury management operates day to day. It sets out the limitations on treasury management activity informed by the prudential indicators, within which the council's treasury function must operate. The strategy is included as appendix A to the report. This report includes the three elements required by legislation as follows:

   - The **prudential indicators** required by the CIPFA Prudential Code 2017 for Capital Finance in Local Authorities and CIPFA TM code of Practice 2017;

   - The **annual investment strategy**. This sets out the council's criteria for selecting counterparties and limiting exposure to the risk of loss on its investments.

   - A statutory duty to approve a **minimum revenue provision** policy statement. (appendix A, paragraphs 14-18).

   It is a requirement of the CIPFA Code of Practice on Treasury Management 2017 that this report is approved by full Council on an annual basis.

Strategic objectives

2. Managing the finances of the authority in accordance with the treasury management strategy will help to ensure that resources are available to deliver its services and meet the council's strategic objectives.

Background

3. Treasury management is the planning of the council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

4. The funding of the council's capital expenditure is also a function of treasury management. The capital programme provides a guide to the funding needs of the council and informs long-term cash flow plans to ensure that the council can meet its capital spending obligations.

5. Treasury investments are effectively what the council does with its cash resources before it is spent on the provision of services and the funding of the capital programme. All expenditure of a capital nature is managed through the council's capital programme and is not covered by this report.

6. The treasury management and annual investment strategy set out the council's policies for managing investments and confirms the council gives priority to the security and liquidity of those investments. It also includes the prudential indicators for the next three years; these demonstrate that the council's capital investment plans are affordable, prudent and sustainable.

7. The council's treasury management strategy 2021/22 is attached in appendix A. Whilst every attempt has been made to minimise the technical content of this report, it is, by its very nature and the need for compliance with associated guidance, technical in parts. A glossary of terms in appendix G should aid members understanding of some technical terms used in the report.

8. The last significant review by CIPFA of its 'Prudential code' and the 'Treasury Management Code of Practice' was in 2017.

Recommended changes to the treasury management strategy

9. Council approved the 2020/21 treasury management strategy on 13 February 2020. The proposed strategy for 2021/22 includes the changes detailed below, which cabinet is asked to recommend to council.

Counterparty limits

10. On 31 March 2020 the Interim Head of Finance waived financial procedure rule 53 and allowed the councils to over-ride their counter party limits for money market funds. This was to allow the councils to deal with the receipt of unprecedented levels of government grant funding to fund the business grant schemes administered by the councils on behalf of the government.

11. Delegation 2.7 of the council constitutions allows the Interim Head of Finance, in consultation with the cabinet member for finance, to raise counterparty limits by £3,000,000 within a financial year.

12. Officers believe the same temporary increases will be required for the first half of 2021/22. The increased limits on specific counterparties are set out in the table below.

Counterparty	Amount required £m
West Bromwich Building Society	3
Newcastle Building Society	3
Nottingham Building Society	3
National Counties Building Society	3
Progressive Building Society	3
Monmouthshire Building Society	3
Furness Building Society	3
Goldman Sachs Money Market Fund	10

Financial implications and risk assessment

13. This report and all associated policies and strategies set out clearly the parameters the council must work within. It is important that the council follows the approved treasury management strategy which is designed to help protect the council's finances by managing its risk exposure.

14. Link Treasury Services has provided a counterparty methodology, but given the council's balances, we have expanded on this methodology to include Building Societies to ensure a diversified portfolio.

15. Base rate is currently 0.10 per cent. It dropped from 0.25 per cent to 0.10 per cent on 19 March 2020 to help control the economic shock of coronavirus. The Bank of England had dropped base rate from 0.75 per cent to 0.25 per cent one week earlier on 11 March 2020.

16. Link Treasury Services forecast that the bank base rate will not increase before March 2024.

17. The table below gives an estimate of the investment income achievable for the next five years;

Table 1: Medium term investment income forecast

	2021/22 £000's	2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's
Forecast as at December 2020	1,847	1,819	1,709	1,796	1,796

The 2021/22 budget setting report and medium-term financial plan will take into account the latest projections of anticipated investment income.

Legal implications

18. There are no significant legal implications as a result of the recommendations in this report. Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services, the CLG Local Government Investment Guidance provides assurance that the council's investments are, and will continue to be, within its legal powers.

19. The council must approve any amendment to the treasury management strategy and annual investment strategy in accordance with the Local Government Act 2003 (the Act), the CIPFA Code of Practice for Treasury Management in the Public Services and the CLG Local Government Investment Guidance under Section 15(1) (a) Local Government Act 2003 and CIPFA Prudential Code for Capital Finance.

Conclusion

20. This report introduces the treasury management strategy and the annual investment strategy for 2021/22 which are appended to this report, together with the prudential indicators for approval to council. These documents provide the parameters within which the council's treasury management function will operate.

Background papers

- CIPFA Code of Practice on Treasury Management 2017
- CIPFA Prudential Code 2017

- CIPFA Treasury Management in the Public Services Guidance Notes 2018
- CIPFA statement 17.10.18 on borrowing in advance of need and investments in commercial properties
- CIPFA Bulletin 02 Treasury and Capital Management Update October 2018
- Statutory Guidance on Local Government Investments (3rd Edition)
- Statutory Guidance on Minimum Revenue Provision

Appendices

Appendix A Treasury Management Strategy 2021/22
Appendix B Economic Background
Appendix C Risk and performance benchmarking
Appendix D Explanation of Prudential and Treasury Indicators
Appendix E TMP1 extract
Appendix F Extension to the responsibilities of the S151 officer
Appendix G Glossary of terms

Appendix A

Treasury Management Strategy 2021/22

Introduction

1. The first main function of the treasury management services is to ensure the council's cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the council's low risk appetite, providing adequate liquidity initially before considering investment return. The second main function of the treasury management service is the funding of the council's capital plans.

2. Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

3. CIPFA defines treasury management as:

   "The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

4. Revised reporting was required for the 2019/20 reporting cycle due to revisions of the Ministry of Housing, Communities & Local Government (MHCLG) Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes included the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is reported separately.

Treasury Management reporting

5. The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

   a) Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report is forward looking and covers:
      - the capital plans, (including prudential indicators);
      - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
      - the treasury management strategy, (how the investments and borrowings are managed), including treasury indicators; and
      - an investment strategy, (the parameters on how investments are to be managed).

b) A mid-year treasury management report – This is primarily a progress report and will update members on the mid-year treasury performance, amending prudential indicators as necessary, and whether any policies require revision.

c) An annual treasury report – This report reviews performance for the previous financial year and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

6. The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Joint Audit and Governance Committee.

Treasury Management Strategy for 2021/22

7. The strategy for 2021/22 covers the areas below:
   - the capital expenditure plans and the associated prudential indicators;
   - the minimum revenue provision (MRP) policy.
   - the current treasury position;
   - treasury indicators which limit the treasury risk and activities of the Council;
   - prospects for interest rates;
   - the borrowing strategy;
   - policy on borrowing in advance of need;
   - debt rescheduling;
   - the investment strategy;
   - creditworthiness policy; and
   - the policy on use of external service providers.

8. These elements cover the requirements of the Local Government Act 2003 (the Act), the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

Councillor and officer training

9. The CIPFA Code requires the Interim Head of Finance to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. The training needs of treasury management officers are periodically reviewed.

Capital Prudential Indicators

10. The Council's capital expenditure plans (as detailed in the council's capital programme) are a key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Treasury management advisors

11. The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors.

12. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisors.

13. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills, knowledge and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

Minimum Revenue Provision (MRP) policy statement 2021/22

14. The council's current capital programme will primarily be financed from internal resources. If borrowing is undertaken, then the council will be required by statute to set aside funds in the annual revenue budget to amortise the principal element of any borrowing – this is the MRP. There will also be a requirement to set aside revenue budget for the interest payments on any borrowing raised. Loans will generally be taken over the life of the assets being financed and amortised accordingly.

15. The council is required by regulation to approve an annual MRP policy before the start of the year to which it relates. Any in-year changes must also be submitted to the council for approval.

16. A variety of options are provided to councils for the calculation of MRP. The council has chosen the "asset life method" as being most appropriate. Using this method MRP will be based on the estimated life of the asset, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction). Repayments included in annual PFI or finance leases are applied as MRP.

17. Currently, the council's MRP liability is nil. This will remain the case unless capital expenditure is financed by external or internal borrowing.

18. The Interim Head of Finance will determine the most appropriate repayment method, term of borrowing and duration of borrowing. As a general illustration, Table 1 below gives an example of the annual revenue costs associated with borrowing an amount of £2.5 million over a 50-year period, based on the current district tax base of 59,171.2 Band D equivalents:

Table 1: Example MRP and interest calculation		
Loan Amount	£2,500,000	
Loan Duration	50 Years	
PWLB Interest	1.38%	
2021/22 Tax Base	59,171	
	£	£ per Band D
MRP Element	£50,000	0.88
Annual Interest Cost	£34,500	0.58
Total	**£84,500**	**1.43**

Prospects for interest rate forecast and economic rate forecasts

19. The following table Link Asset Services' central view on expected interest rate movements out to March 2024. It should be read alongside the commentary provided below.

Table 2: interest rate forecasts - *Quoted by link Asset Services December 2020*

Bank Rate	NOW	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Link Group	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Capital Economics	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	-	-	-	-	-
5yr PWLB Rate	NOW	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Link Group	0.84%	0.80%	0.80%	0.80%	0.80%	0.80%	0.90%	0.90%	0.90%	0.90%	0.90%	1.00%	1.00%	1.00%	1.00%
Capital Economics	0.84%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	-	-	-	-	-
10yr PWLB Rate	NOW	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Link Group	1.15%	1.10%	1.10%	1.10%	1.10%	1.20%	1.20%	1.20%	1.30%	1.30%	1.30%	1.20%	1.30%	1.30%	1.30%
Capital Economics	1.15%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	-	-	-	-	-
25yr PWLB Rate	NOW	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Link Group	1.70%	1.50%	1.50%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.70%	1.80%	1.80%	1.80%	1.80%
Capital Economics	1.70%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	-	-	-	-	-
50yr PWLB Rate	NOW	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Link Group	1.54%	1.30%	1.30%	1.40%	1.40%	1.40%	1.40%	1.50%	1.50%	1.50%	1.50%	1.60%	1.60%	1.60%	1.60%
Capital Economics	1.54%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	-	-	-	-	-

20. The fall in GDP in the first half of 2020, as a result of the COVID-19 pandemic, of 28 per cent was revised upwards to 23 per cent. This is still one of the largest falls in output of any developed nation but is only to be expected as the UK economy is heavily skewed towards consumer facing services, which were particularly vulnerable to being damaged by lockdown.

21. The Monetary Policy Committee (MPC) still expects the £300 billion of QE purchases announced between the March and June meetings to continue until the "turn of the year". This implies that the pace of purchases will slow further to about £4 billion a week, down from £14 billion a week at the height of the crisis and £7 billion more recently.

22. The pace of recovery is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. There will also be some painful longer-term adjustments as office space and travel by planes, trains and buses may not recover their previous level of use for several years or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown how vulnerable long-distance supply chains are. On the other hand, digital services is one area that has already seen huge growth.

Negative interest rates

23. While the Bank of England has said that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, as with our councils, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis, causing sudden large increases in investment balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

24. As for money market funds (MMFs), yields have continued to drift lower. Some managers have suggested that they might resort to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a glut of money swilling around at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short-term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions.

25. Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

26. Although the Bank of England has seemingly ruled out using negative interest rates for now, it has recently written to all UK banks and building societies, as well as large international banks and insurers, asking them to identify any operational challenges associated with implementation of zero or negative bank rate. It suggested that while negative rates can work in some circumstances, it would be "less effective as a tool to stimulate the economy" at this time when banks are worried about future loan losses. It also has "other instruments available", including quantitative easing (QE) and forward guidance.

27. A move to negative interest rates will see treasury investment income fall. We are predicting that South will not reach their budgeted income levels for this year due to the drop in interest rates already experienced, and both councils will see a reduction in investment income in future years that will need to be built into future years budgets.

28. There is a risk that the cash the councils hold short term for working capital will attract nominal interest charges. However, we will mitigate this risk by investing the remaining balances longer term where possible, and also potentially making more use of notice accounts.

29. We will continue to maintain a close dialogue with our treasury advisors (Link Treasury Services) and we will continue to work pro-actively in accordance with our treasury strategy to minimise any adverse impact on investment returns that may result in the event of bank rate becoming negative.

Treasury Limits for 2021/22 to 2023/24

30. It is a statutory duty, under Section 3 of the Act and supporting regulations for the council to determine and keep under review how much it can afford to borrow. The amount so determined is called the “Affordable Borrowing Limit”. The Authorised Limit is the legislative limit specified in the Act.

31. The council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital expenditure remains within sustainable limits and, that the impact upon its future council tax is ‘acceptable’.

32. The Authorised Limit is set on a rolling basis, for the forthcoming financial year and two successive financial years.

33. The following indicators set the parameters within which we manage the overall capital investment and treasury management functions. There are specific treasury activity limits, which aim to contain the activity of the treasury function in order to manage risk and reduce the impact of an adverse movement in interest rates. However, if these are set to be too restrictive, they will impair the opportunities to reduce costs/improve performance. The limits are set out in table 3 below.

Cabinet is asked to recommend council to approve the limits:

Table 3: Prudential indicators	2020/21 Approved £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Debt				
Authorised limit for external debt				
Borrowing	30	30	30	30
Other long-term liabilities	0	0	0	0
	30	**30**	**30**	**30**
Operational boundary for external debt				
Borrowing	25	25	25	25
Other long-term liabilities	0	0	0	0
	25	**25**	**25**	**25**
Interest rate exposures				
Maximum fixed rate borrowing	100%	100%	100%	100%
Maximum variable rate borrowing	100%	100%	100%	100%
Investments				
Interest rate exposures				
Limits on fixed interest rates	100%	100%	100%	100%
Limits on variable interest rates	50	50	50	50
Principal sums invested > 364 days				
Upper limit for principal sums invested >364 days	70	70	70	70

Current position

34. The maturity structure of the council's investments at 30 November 2020 was as follows:

Table 4: maturity structure of investments:	Total £000's	% holding
Call	500	0%
Money market fund	21,632	12%
Less than 6 months	69,000	39%
6 months to 1 year	65,500	37%
1 year +	2,000	1%
CCLA - Property Fund	6,831	4%
Equities	11,779	7%
Total investments	**177,241**	**100%**

** The figure for total investments shown above excludes the £15 million 20-year loan to SOHA made in 2013/14 and the balance outstanding with Kaupthing Singer & Friedlander (KSF).*

***£177 million does not represent uncommitted resource the council has at its disposal. This amount includes council tax receipts held prior to forwarding to Oxfordshire County Council and the Police and Crime Commissioner for the Thames Valley, business rate receipts prior to payment to the government and committed capital and revenue balances. Details of the council's uncommitted balances are provided in the annual budget and council tax setting report.*

35. The council holds as above, 89 per cent of its investments in the form of cash deposits, 77 per cent is invested for fixed terms with a fixed investment return and 12 per cent on call accounts, with the remainder held in non-cash deposits. Typically, the council restricts lending activity to UK institutions and the highest rated counterparties

36. The council's considerations for investment will remain security, liquidity and yield – in that order. Officers undertaking Treasury Management will work towards the optimum profile distribution.

Investment performance for the year to 30 November 2020

37. The council's budgeted investment return for 2020/21 is £2.583 million, and the actual interest received to date is shown as follows:

Table 5: Investment interest earned by investment type

			Interest Earned	
Investment type	**Annual Budget £000's**	**Actual to date £000's**	**Annual Forecast £000's**	**Forecast Variation £000's**
Fixed term and call cash	1,205	185	1,270	**65**
SOHA	623	312	623	**0**
CCLA	299	135	217	**(82)**
Unit Trusts	456	64	349	**(107)**
Total interest	**2,583**	**696**	**2,459**	**(124)**

Borrowing Strategy 2021/22

38. The annual treasury management strategy must set out details of the council's borrowing requirement, any maturing debt which will need to be re-financed, and the effect this will have on the treasury position over the next three years. This council currently has no external debt and in general, the council will borrow for one of two purposes:

- to support cash flow in the short-term;
- To fund capital investment over the medium to long term.

39. Any borrowing undertaken will be within the scope of the boundaries given in the prudential indicators shown in Table 3, which allow for the council to borrow up to a maximum of £30 million, if such a need arose. This also allows short-term borrowing for the cash flow management activities of the authority.

40. The existing capital programme can be financed from internal resources. If additional expenditure was committed in the future, a decision would have to be made at the time as to how it would be funded taking into account the prudential borrowing criteria. Any decision on borrowing will be taken by the Interim Head of Finance based on the optimum cost to the council.

41. Any borrowing for capital financing purposes will be assessed by the Interim Head of Finance to be prudent, sustainable and affordable

42. This strategy allows the Interim Head of Finance to determine the most suitable repayment terms of any borrowing to demonstrate affordability and sustainability in the medium-term financial plan if required. As a rule, the term of any borrowing will not be longer than the expected life of the capital asset being created.

Policy on borrowing in advance of need

43. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

44. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Annual investment strategy 2021/22

45. The MHCLG and CIPFA have extended their definition of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy (a separate report).

46. The Council’s investment policy has regard to the following: -

    - MHCLG’s Guidance on Local Government Investments (“the Guidance”)
    - CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the Code”)
    - CIPFA Treasury Management Guidance Notes 2018

47. The Council’s investment priorities will be security first, portfolio liquidity second and then yield, (return).

48. The primary aim of the council’s investment strategy is to maintain the security and liquidity of its investments; yield or return on the investment will be a

secondary consideration, subject to prudent security and liquidity. The council will ensure:

- It has sufficient liquidity in its investments to cover cash flow. For this purpose, it has set out parameters for determining the maximum periods for which funds may prudently be committed.

- It maintains a policy covering the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.

49. The strategy aims to provide a high degree of flexibility to take appropriate lending decisions, with a view to producing a portfolio with an even spread of maturity periods. This aim is to provide a more even and predictable investment return in the medium term.

50. The council's Interim Head of Finance will ensure a counterparty list (a list of named institutions) is maintained in compliance with the recommended credit rating criteria (table 5) and will revise the criteria and submit any changes to the credit rating criteria to council for approval as necessary.

Investment types

51. The types of investment that the council can use are summarised below. These are split under the headings of 'specified' and 'non-specified' in accordance with the statutory guidance.

Specified investment instruments

52. These are sterling investments of not more than one-year maturity, or those where the council has the right to be repaid within 12 months if it wishes. These would include sterling investments with:

- UK government Debt Management Agency Deposit Facility (DMADF)
- UK government – treasury stock (Gilts) with less than one year to maturity
- Supranational bonds of less than one year's duration
- Deposits with UK local authorities
- Pooled investment vehicles such as Money Market Funds (MMF) (AAA rated)
- Deposits with banks and building societies (minimum F1/A- rated)
- Certificates of deposits issued by banks and building societies (minimum rating as above)

Non-specified investment instruments

53. These are any other type of investment (i.e. investments not defined as specified, above). Examples of non-specified investments include any sterling investments with:

- Supranational bonds of 1 to 10 years to maturity
- UK treasury stock (Gilts) with a maturity of 1 to 10 years
- Unrated building societies (minimum asset value £1 billion)

- Bank and building society cash deposits up to 5 years (minimum F1/A-rated)
- Deposits with UK local authorities up to 25 years to maturity
- Corporate bonds
- Pooled property, pooled bond funds and UK pooled equity funds
- Diversified Income Fund
- Multi-Asset Fund
- Ultra-Dated/Short dated bond
- Non-UCITS Retail Schemes (NURS)

Other Non-specified investment instruments.

54. Other non-specified investment instruments include:

- Fixed term deposits with variable rate and variable maturities

Approach to investing

55. The council holds over £100 million core cash balances which are available to invest for more than one year. This is expected to reduce over the medium term as the approved capital expenditure is incurred and to fund the revenue budget shortfall. In addition, the council has funds that are available on a temporary basis to invest. These are held pending payment over to another body such as precept payments and council tax. The amount can be up to £22 million throughout the year and should only be invested short term (under one year). Investments will be made with reference to known cash flow requirements (liquidity).

56. The council's investment methodology includes the use of building societies. This is not in line with the Link Asset Services methodology, however in order that the council maintains a diversified portfolio, building societies have been included in the treasury management strategy.

57. While rates remain historically low the council will aim to keep investments relatively short term but will continue to look for opportunities to fix lending in the medium term with highly rated institutions when possible for core cash balances. The aim is to increase the weighted average maturity of the portfolio in order to reduce maturity risk.

58. Officers will continue to provide tight controls on the investments placed. Where possible, opportunities to spread the investment risk over different types of instruments will be considered.

59. Should market conditions deteriorate suddenly to the extent that the council is unable to place money with institutions with the necessary credit rating, it will make use of the UK Government deposit account (DMADF).

60. The council has the authority to lend to other local authorities at market rates. Whilst investments with other local authorities are considered to be supported by central government, officers will consider the financial viability and sustainability of the individual local authority before any funds are advanced.

61. Further investment in property funds will be looked at in more detail for consideration. In 2013/14 the council invested £5 million in the Churches Charities and Local Authorities pooled property investment fund (CCLA).

62. Money market funds are mainly used for liquidity; they also provide security and spread portfolio risk. Officers will always monitor the council's exposure to these funds in order to manage our security risk.

63. Currently the council does not make use of an external fund manager. Whilst there are presently no plans for this situation to change, this will continue to be kept under review.

64. Bond funds can be used to diversify the portfolio, whilst maintaining an element of liquidity and security. These will be considered and reviewed as an investment possibility to spread portfolio risk.

65. One option to offer diversification in the council's investment portfolio would be to make use of Ultra Short Dated / Short Dated Bond Funds (USDBF / SDBFs). Possible use of such funds would be intended for longer term investments than with traditional money market funds (i.e. for possible investment durations of three – six months).

66. Unlike money market funds USDBF/SDBF have a variable net asset value (VNAV). This means the assets are 'marked to market' (re-valued to current market value) on a daily basis and the fund unit price adjusted accordingly. Under this calculation basis the unit price fluctuates and could, therefore, be higher or lower than the original investment when it is redeemed. Any use of the above funds would be restricted to the high-quality counterparty credit criteria as set out in Table 5 below.

67. The council does not currently make use of certificates of deposit. Consideration will be given to their use to assist diversification of the investment portfolio. Certificates of deposit have the same level of ranking and security as ordinary fixed term deposits but have the option of being traded before maturity. Certificates of deposit are bought and sold on the stock market and their price can go up or down prior to their redemption date. If held to maturity the investment will return their issue value. The council would only normally look to enter such investments on a held to maturity basis.

Counterparty selection

68. Treasury management risk is the risk of loss of capital to the council. To minimise this risk, the council uses credit rating information when considering who to lend to. Link Asset Services provide the council with credit rating updates from all three ratings agencies – Standard & Poors, Fitch and Moodys.

69. The council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies in evaluating investment opportunity. This is because adopting this approach could leave the council with too few counterparties for the strategy to be workable. Instead, counterparty investment limits will be set by reference to all the assigned ratings.

70. Where counterparties fail to meet the minimum required criteria (Table 6 below) they will be omitted from the counterparty list. Any rating changes and rating watches (notification of a rating change under consideration) are provided to officers almost immediately after they occur, and this information is considered before any deal is entered into. Extreme market movements may result in a downgrade of an institution or removal from the council's lending list.

71. Additional requirements under the CIPFA Treasury Management Code require the council to supplement the credit rating data with operational market information such as credit default swaps (CDS), negative watches and outlooks, which are considered when assessing the security of counterparties. This additional information is used so that the council does not rely solely on the current credit ratings of counterparties.

72. Where it is felt the council would benefit from utilising government guarantees provided by countries with a AAA rating, the council may lend to institutions covered by such guarantees. Any decision to lend in this way will be subject to consultation with the agreement of the cabinet member responsible for finance.

Country and sector considerations

73. The council has determined that it will only use approved counterparties outside the UK from countries with a minimum sovereign credit rating of AAA from Fitch Ratings.

Counterparty limits

74. In the normal course of the council's cash flow operations it is expected that both specified and non-specified investments will be used for the control of liquidity as both categories allow for short term investments. The use of longer-term instruments (greater than one year from inception to repayment) will fall in the non-specified investment category. These instruments will be used where the council's liquidity requirements are safeguarded. The council will lend to institutions that meet the following criteria:

Table 6: Counterparty Limits				
Counterparty	Minimum Fitch Long term Rating (or equivalent)	Counterparty Limit £m	Max. maturity period	Maximum % of total
Institutions with a minimum rating:	F1+ / AA-	£15m	4 years	25%
Institutions with a minimum rating:	F1+ / A+	£15m	3 years	25%
Institutions with a minimum rating:	F1 / A	£15m	2 years	30%
Institutions with a minimum rating:	F1 / A-	£15m	1 year	50%
Banks - part nationalised UK	UK sovereign	£20m	4 years	100%
Building societies - assets > £5bn	n/a	£10m	12 months	70%
Building societies - assets > £3bn	n/a	£8m	12 months	60%
Building societies - assets > £1bn	n/a	£6m	12 months	50%
Building Societies	BBB+	£15m	12 Months	50%
Local authorities , parish councils	n/a	£20m	25 years	50%
Money Market funds (CNAV)	AAA	£20m	liquid	100%
Pooled bond fund	F1+/A+	£5m	Variable	10%
Pooled property fund	n/a	£10m	Variable	15%
CCLA Diversified Income Fund	n/a	£10m	Variable	15%
Multi - Asset Funds	n/a	£10m	Variable	15%
Ultra Dated/Short dated bonds	n/a	£10m	Variable	15%
Property related Investments	n/a	£30m	Variable	80%
Corporate Bonds	F1+/A+	£5m	Variable	10%
Non-UCITS Retail Scheme (NURS)	n/a	£5m	Variable	50%
Managed Bond Funds	F1/A-	£15m	Variable	15%
Share capital / Equities (UK)	n/a	£10m	Variable	20%
Supranationals	AAA	£10m	Variable	20%
UK Government - gilts	UK sovereign	£15m	15 years	10%
UK Government - DMADF	UK sovereign	No limit	n/a	100%
UK Government - Treasury Bills	UK sovereign	£15m	15 years	10%

75. The criteria for choosing counterparties provides a sound approach to investment. Whilst councillors are asked to approve the criteria in table 5, under exceptional market conditions the interim head of finance may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval.

76. On 31 March 2020 the Interim Head of Finance waived financial procedure rule 53 and allowed the councils to over-ride their counter party limits for money market funds. This was to allow the councils to deal with the receipt of unprecedented levels of government grant funding to fund the business grant schemes administered by the councils on behalf of the government.

77. Delegation 2.7 of the council constitutions allows the Interim Head of Finance, in consultation with the cabinet member for finance, to raise counterparty limits by £3,000,000 within a financial year.

78. Officers believe the same temporary increases will be required for the first half of 2021/22. The increased limits on specific counterparties are set out in the table below.

Counterparty	Amount required £m
West Bromwich Building Society	3
Newcastle Building Society	3
Nottingham Building Society	3
National Counties Building Society	3
Progressive Building Society	3
Monmouthshire Building Society	3
Furness Building Society	3
Goldman Sachs Money Market Fund	10

Fund managers

79. The council does not currently employ any external fund managers. However, in the event of such an appointment, appointees will comply with this and subsequent treasury strategies. This strategy empowers the Section 151 officer to appoint such an external manager to manage a proportion of the council's investment portfolio if this is advantageous. Situations in which this might be advantageous include benchmarking the performance of the treasury team; benefiting from the often-extensive credit risk and economic modelling resources of external fund managers and resources necessary to hold liquid instruments for trading.

Risk and performance benchmarks

80. A requirement of the Code is that security and liquidity benchmarks are considered and approved. This is in addition to yield benchmarks which are used to assess performance. The benchmarks are guidelines (not limits) so may be breached depending on the movement in interest rates and counterparty criteria. Their purpose is to allow officers to monitor the current trend position and amend the operational strategy depending on any changes. Any breach of the benchmarks will be reported, with an explanation in the mid-year or annual report to audit and corporate governance committee. Detailed information for the assessment of risk is shown in appendix C.

81. Performance indicators are set to assess the adequacy of the treasury function over the year. These are distinct historic performance indicators, as opposed to the predominantly forward-looking prudential indicators. The indicators used to assess the performance of the treasury function are:

- Cash investments - 3-month LIBID rate.
- Property related investments – IPD Balance Property Unit Trust Index.
- Equities – FTSE all shares index

82. The results of these indicators will be reported in both the annual mid-year and year end treasury reports.

Policy on the use of treasury management advisors

83. The council has a joint contract for treasury management advisors with Vale of White Horse District Council. Link Asset Services provides a range of services which include:

- technical support on treasury matters, capital finance issues, statutory reports;
- economic forecasts and interest rate analysis;
- credit ratings / market information service involving the three-main credit rating agencies;
- strategic advice including a review of the investment and borrowing strategies and policy documents.

84. The council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills, resources and up to date market information.

Treasury management scheme of delegation and the role of the Section 151 officer

85. **Council**

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

86. **Joint Audit and Governance Committee/ Cabinet**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- Ensuring effective scrutiny of the treasury management function

87. **Section 151 Officer/ Interim Head of Finance**

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- Approving the selection of external service providers and agreeing terms of appointment.

88. The above list of specific responsibilities of the S151 officer in the 2017 Treasury Management Code has not changed. However, implicit in the changes in both codes, is a major extension of the functions of this role, especially in respect of non-financial investments, (which CIPFA has defined as being part of treasury management), this is detailed in appendix F.

Summary

89. Prior to the beginning of each financial year the council must approve the treasury management strategy. The strategy sets the parameters within which officers can manage the council's cash flows and invest any surplus funds.

90. This strategy provides a commentary on the current financial climate and sets out the council's lending strategy in response to this.

Appendix B

ECONOMIC BACKGROUND

The following was provided by our advisors, Link Asset Services, during November 2020.

- **UK.** The Bank of England's Monetary Policy Committee kept **Bank Rate** unchanged on 5th November. However, it revised its economic forecasts to take account of a second national lockdown from 5th November to 2nd December which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of **quantitative easing (QE) of £150bn**, to start in January when the current programme of £300bn of QE announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".
- Its forecasts appeared, at the time, to be rather optimistic in terms of three areas:
    - The economy would recover to reach its pre-pandemic level in Q1 2022
    - The Bank also expects there to be excess demand in the economy by Q4 2022.
    - CPI inflation is therefore projected to be a bit above its 2 per cent target by the start of 2023 and the "inflation risks were judged to be balanced".
- Significantly, there was no mention of **negative interest rates** in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.
- One key addition to **the Bank's forward guidance** in August was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2 per cent target sustainably". That seems designed to say, in effect, that even if inflation rises to 2 per cent in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase through to quarter 1 2024 but there could well be no increase during the next five years due to the slow rate of recovery of the economy and the need for the Government to see the burden of the elevated debt to GDP ratio falling significantly. **Inflation** is unlikely to pose a threat requiring increases in Bank Rate during this period as there is likely to be spare capacity in the economy for a considerable time. It is expected to briefly peak at around 2 per cent towards the end of 2021, but this is a temporary short-lived factor and so not a concern.
- However, the minutes did contain several references to **downside risks**. The MPC reiterated that the "recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside". It also said "the risk of a more persistent period of elevated unemployment remained material". Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. That could involve some or all of the lockdown being extended beyond 2nd December, a temporary relaxation of restrictions over Christmas, a resumption of the lockdown in January and lots of regions being subject to Tier 3 restrictions when the lockdown ends. Hopefully, restrictions should progressively ease during the spring. It is only to be expected that some businesses that have barely survived the first lockdown, will fail to survive the second lockdown, especially those businesses that depend on a surge of business in the run up to Christmas each year.

This will mean that there will be some level of further permanent loss of economic activity, although the extension of the furlough scheme to the end of 31st March will limit the degree of damage done.

- As for **upside risks**, we have been waiting expectantly for news that various **COVID19 vaccines** would be cleared as being safe and effective for administering to the general public. The Pfizer announcement on 9th November was very encouraging as its 90 per cent effectiveness was much higher than the 50-60 per cent rate of effectiveness of flu vaccines which might otherwise have been expected. However, their phase three trials are still only two-thirds complete. More data needs to be collected to make sure there are no serious side effects. We don't know exactly how long immunity will last or whether it is effective across all age groups. The Pfizer vaccine specifically also has demanding cold storage requirements of minus 70C that might make it more difficult to roll out. However, the logistics of production and deployment can surely be worked out over the next few months.

- However, there has been even further encouraging news since then with another two vaccines announcing high success rates. Together, these three announcements have enormously boosted confidence that **life could largely return to normal during the second half of 2021**, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels, which would help to bring the unemployment rate down. With the household saving rate currently being exceptionally high, there is plenty of pent-up demand and purchasing power stored up for these services. A comprehensive roll-out of vaccines might take into late 2021 to fully complete; but if these vaccines prove to be highly effective, then there is a possibility that restrictions could begin to be eased, possibly in Q2 2021, once vulnerable people and front-line workers had been vaccinated. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7 per cent next year instead of 9 per cent. But while this would reduce the need for more QE and/or negative interest rates, increases in Bank Rate would still remain some years away. There is also a potential question as to whether the relatively optimistic outlook of the Monetary Policy Report was swayed by making positive assumptions around effective vaccines being available soon. It should also be borne in mind that as effective vaccines will take time to administer, economic news could well get worse before it starts getting better.

- **Public borrowing** is now forecast by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19 per cent of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9 per cent of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.

- Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp but after a disappointing increase in GDP of only 2.1 per cent in August, this left the economy still 9.2 per cent smaller than in February; this suggested that the economic recovery was running out of steam after recovering 64 per cent of its total fall during the crisis. The last

three months of 2020 were originally expected to show zero growth due to the impact of widespread local lockdowns, consumers probably remaining cautious in spending, and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year also being a headwind. However, the second national lockdown starting on 5th November for one month is expected to depress GDP by 8 per cent in November while the rebound in December is likely to be muted and vulnerable to the previously mentioned downside risks. It was expected that the second national lockdown would push back recovery of GDP to pre pandemic levels by six months and into sometime during 2023.

This recovery of growth which eliminates the effects of the pandemic by about the middle of the decade would have major repercussions for public finances as it would be consistent with the government deficit falling to 2 per cent of GDP without any tax increases. This would be in line with the OBR's most optimistic forecast in the graph below, rather than their current central scenario which predicts a 4 per cent deficit due to assuming much slower growth. However, Capital Economics forecasts assume that there is a reasonable Brexit deal and also that politicians do not raise taxes or embark on major austerity measures and so, (perversely!), depress economic growth and recovery.

- Capital Economics have not revised their forecasts for Bank Rate or gilt yields after this major revision of their forecasts for the speed of recovery of economic growth, as they are also forecasting that inflation is unlikely to be a significant threat and so gilt yields are unlikely to rise significantly from current levels.

- There will still be some **painful longer-term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.

- The **Financial Policy Committee** (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15 per cent.

US. The result of **the November elections** means that while the Democrats have gained the presidency and a majority in the House of Representatives, it looks as if the Republicans will retain their slim majority in the Senate. This means that the Democrats will not be able to do a massive fiscal stimulus, as they had been hoping to do after the elections, as they will have to get agreement from the Republicans. That would have resulted in another surge of debt issuance and could have put particular upward pressure on debt yields – which could then have also put upward pressure on gilt yields. On the other hand, equity prices leapt up on 9th November on the first news of a successful vaccine and have risen further during November as more vaccines announced successful results. This could cause a big shift in investor sentiment i.e. a swing to sell out of government debt to buy into equities which would normally be expected to cause debt prices to fall and yields to rise. However, the rise in yields has been quite muted so far and it is too early to say whether the Fed would feel it necessary to take action to suppress any further rise in debt yields. It is likely that the next two years, and possibly four years in the US, could be a political stalemate where neither party can do anything radical.

The economy had been recovering quite strongly from its contraction in 2020 of 10.2% due to the **pandemic** with GDP only 3.5 per cent below its pre-pandemic level and the unemployment rate dropping below 7 per cent. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a third wave. While the first wave in March and April was concentrated in the Northeast, and the second wave in the South and West, the latest wave has been driven by a growing outbreak in the Midwest. The latest upturn poses a threat that the recovery in the economy could stall. This is **the single biggest downside risk** to the shorter term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, states might feel it necessary to return to more draconian lockdowns.

However, with the likelihood that highly effective vaccines are going to become progressively widely administered during 2021, this should mean that life will start to return to normal during quarter 2 of 2021. Consequently, there should be a sharp pick-up in growth during that quarter and a rapid return to the pre-pandemic level of growth by the end of the year.

After Chair Jerome Powell unveiled the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2 per cent and was on track to moderately exceed 2 per cent for some time."* This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary “trap” like Japan. It is to be noted that inflation has actually been under-shooting the 2 per cent target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. The Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The FOMC’s updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal. The Fed’s meeting on 5 November was unremarkable - but at a politically sensitive time around the elections.

EU. The economy was recovering well towards the end of Q2 and into Q3 after a sharp drop in GDP caused by the virus, (e.g. France 18.9 per cent, Italy 17.6 per cent). However, growth is likely to stagnate during Q4, and Q1 of 2021, as a second wave of the virus has affected many countries, and is likely to hit hardest those countries more dependent on tourism. The €750bn fiscal support package eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the worst affected countries. With inflation expected to be unlikely to get much above 1 per cent over the next two years, the ECB has been struggling to get inflation up to its 2 per cent target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5 per cent, although the ECB has stated that it retains this as a possible tool to use. It is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support from governments. The current PEPP scheme of €1,350bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy.

There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support. However, the PEPP scheme is regarded as being a temporary measure during this crisis so it may need to be increased once the first PEPP runs out during early 2021. It could also decide to focus on using the Asset Purchase Programme to make more monthly purchases, rather than the PEPP scheme, and it does have other monetary policy options.

However, as in the UK and the US, the advent of highly effective vaccines will be a game changer, although growth will struggle during the closing and opening quarters of this year and next year respectively before it finally breaks through into strong growth in quarters 2 and 3. The ECB will now have to review whether more monetary support will be required to help recovery in the shorter term or to help individual countries more badly impacted by the pandemic.

China. After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies.

However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

Japan. Japan's success in containing the virus without imposing draconian restrictions on activity should enable a faster return to pre-virus levels of output than in many major economies. While the second wave of the virus has been abating, the economy has been continuing to recover at a reasonable pace from its earlier total contraction of 8.5 per cent in GDP. However, there now appears to be the early stages of the start of a third wave. It has also been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2 per cent, despite huge monetary and fiscal stimulus. There has also been little progress on fundamental reform of the economy. The change of Prime Minister is not expected to result in any significant change in economic policy.

World growth. While Latin America and India have, until recently, been hotspots for virus infections, infection rates have begun to stabilise. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20 per cent of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high-tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair

disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation.

Summary

Central banks are, therefore, likely to support growth by maintaining loose monetary policy through keeping rates very low for longer. Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand in their economies.

If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.

INTEREST RATE FORECASTS

Brexit. The interest rate forecasts provided by Link in paragraph 3.3 are predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31.12.20. However, as the differences between a Brexit deal and a no deal are not as big as they once were, the economic costs of a no deal have diminished. The bigger risk is that relations between the UK and the EU deteriorate to such an extent that both sides start to unravel the agreements already put in place. So what really matters now is not whether there is a deal or a no deal, but what type of no deal it could be.

The differences between a deal and a no deal were much greater immediately after the EU Referendum in June 2016, and also just before the original Brexit deadline of 29.3.19. That's partly because leaving the EU's Single Market and Customs Union makes this Brexit a relatively "hard" one. But it's mostly because a lot of arrangements have already been put in place. Indeed, since the Withdrawal Agreement laid down the terms of the break-up, both the UK and the EU have made substantial progress in granting financial services equivalence and the UK has replicated the bulk of the trade deals it had with non-EU countries via the EU. In a no deal in these circumstances (a "cooperative no deal"), GDP in 2021 as a whole may be only 1.0 per cent lower than if there were a deal. In this situation, financial services equivalence would probably be granted during 2021 and, if necessary, the UK and the EU would probably rollover any temporary arrangements in the future.

The real risk is if the UK and the EU completely fall out. The UK could override part or all of the Withdrawal Agreement while the EU could respond by starting legal proceedings and few measures could be implemented to mitigate the disruption on 1.1.21. In such an "uncooperative no deal", GDP could be 2.5 per cent lower in 2021 as a whole than if there was a deal. The acrimony would probably continue beyond 2021 too, which may lead to fewer agreements in the future and the expiry of any temporary measures.

Relative to the slump in GDP endured during the COVID crisis, any hit from a no deal would be small. But the pandemic does mean there is less scope for policy to respond. Even so, the Chancellor could loosen fiscal policy by about £10bn (0.5 per cent of GDP) and target it at those sectors hit hardest. The Bank of England could also prop up demand, most likely through more gilt and corporate bond purchases rather than negative interest rates.

Brexit may reduce the economy's potential growth rate in the long run. However, much of that drag is now likely to be offset by an acceleration of productivity growth triggered by the digital revolution brought about by the COVID crisis.

So in summary there is not likely to be any change in Bank Rate in 20/21 – 21/22 due to whatever outcome there is from the trade negotiations and while there will probably be some movement in gilt yields / PWLB rates after the deadline date, there will probably be minimal enduring impact beyond the initial reaction.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population. It may also be affected by what, if any, deal the UK agrees as part of Brexit.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **UK** - further national lockdowns or severe regional restrictions in major conurbations during 2021.
- **UK / EU trade negotiations** – if they were to cause significant economic disruption and downturn in the rate of growth.
- **UK government** takes too much action too quickly to raise taxation or introduce austerity measures that depress demand in the economy.
- **UK - Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next year or so. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of

the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.

- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. In November, Hungary and Poland threatened to veto the 7 year EU budget due to the inclusion of a rule of law requirement that poses major challenges to both countries. There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **UK -** a significant rise in inflationary pressures. These could be caused by an uncooperative Brexit deal or by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population which leads to a resumption of normal life and a return to full economic activity across all sectors of the economy.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a rapid series of increases in Bank Rate to stifle inflation.

Post-Brexit – if a positive agreement was reached that removed the majority of threats of economic disruption between the EU and the UK.

Appendix C

Benchmarking and Monitoring Security, Liquidity and Yield in the Investment Service.

1. These benchmarks are targets and so may be exceeded from time to time. Any variation will be reported, along with supporting reasons, in the Annual Treasury Report.

2. **Yield**. The local benchmark currently used to assess the performance of cash investments is the level of returns contrasted against the London Interbank Bid (LIBID) three-month rate. This is the interest rate a bank would be willing to pay to borrow from another bank for three months.
Property related investments are benchmarked against the IPD Balanced Property Unit Trust Index.

3. **Liquidity**. Liquidity is defined as the council "having adequate, though not excessive, cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives" (CIPFA Treasury Management Code of Practice).

4. In respect of this area, the council shall seek to:

- maintain a minimal balance held in the council's main bank account at the close of each working day. Transfers to the councils call accounts, MMF and investments will be arranged in order to achieve this, while maintaining access to adequate working capital at short notice.
- use the authorised bank overdraft facility or short-term borrowing where there is clear business case for doing so, to cover working capital requirements at short notice

5. **Security of the investments**.

In the context of benchmarking, assessing security is very much more a subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody's and Standard and Poor's). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy. The table beneath shows average defaults for differing periods of investment grade products for each Fitch long term rating category over the last 20-30 years.

Average defaults for differing periods of investment

Long term rating	1 year	2 years	3 years	4 years	5 years
AA	0.04%	0.10%	0.18%	0.27%	0.36%
A	0.05%	0.15%	0.28%	0.42%	0.59%
BBB	0.16%	0.44%	0.77%	1.15%	1.55%

6. The council's minimum long term (i.e. plus 365 day duration) rating criteria is currently "A-". For comparison, the average expectation of default for a two-year investment in a counterparty with an "A" long term rating would be 0.15 per cent of the total investment (e.g. for a £1m investment the average loss would be £1,500). **This is an average** - any specific counterparty loss is likely to be higher. These figures act as a proxy benchmark for risk across the portfolio.

Appendix D

Explanation of Prudential and Treasury Indicators

Prudential borrowing permits local government organisations to borrow to fund capital spending plans provided they could demonstrate their affordability. Prudential indicators are the means to demonstrate affordability.

Authorised limit for external debt – this is the maximum limit for external borrowing. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. This limit is set to allow sufficient headroom for day to day operational management of cash flows.

Operational boundary for external debt – this is set as the more likely amount that may be required for day to day cash flow.

Upper limit for fixed and variable interest rate exposure – these limits allow the council flexibility in its investment and borrowing options.

Upper limit for total principal sums invested for over 365 days – the amount it is considered can be prudently invested for periods in excess of a year

Appendix E

Treasury Management Practice (TMP) 1 – credit and counterparty risk management

The CLG issued Investment Guidance in 2010, and this forms the structure of the council's policy below.

The key aim of the guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective, the guidance requires this council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. In accordance with the code, the interim head of finance has produced its treasury management practices (TMPs). This part, TMP1(1), covering investment counterparty policy requires approval each year

The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- the strategy guidelines for decision making on investments, particularly non-specified investments.
- the principles to be used to determine the maximum periods for which funds can be committed.
- specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

- UK government Debt Management Agency Deposit Facility (DMADF)
- UK government – treasury stock (Gilts) with less than one year to maturity
- Supranational bonds of less than one year's duration
- Deposits with UK local authorities
- Pooled investment vehicles such as Money Market Funds (MMF) (AAA rated)
- Deposits with banks and building societies (minimum F1/A-)

- Certificates of deposits issued by banks and building societies (minimum rating as above) covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's and / or Fitch rating agencies.

Within these bodies, and in accordance with the Code, the council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are as stated in table 6 to this report.

Non-specified investments
These are any other type of investment (i.e. not defined or specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are as set out in Table 5.

Implementation in 2018/19
In December 2017, CIPFA issued a revised Treasury Management Code of Practice and a revised Prudential Code. These revisions have particularly focused on non-treasury investments and especially on the purchase of property with a view to generating income. Such purchases could involve undertaking external borrowing to raise the cash to finance these purchases, or the use of existing cash balances.

The 2017 CIPFA Code of Practice on Treasury Management abolished the treasury indicators on limits for fixed and variable rate exposure. However, this was on the basis that authorities would explain in words how they control interest rate risk.

IFRS 9
Risk management will need to take account of the 2018/19 Accounting Code of Practice proposals for the valuation of investments. Key considerations are:

- Expected credit loss model. Whilst this should not be material for ordinary treasury investments such as bank deposits, this is likely to be challenging for some funds e.g. property funds, (and also for non-treasury management investments dealt with in the capital strategy e.g. longer dated service investments, loans to third parties or loans to subsidiaries).
- The valuation of investments previously valued under the available for sale category e.g. equity related to the "commercialism" agenda, property funds, equity funds and similar, will be changed to Fair Value through the Profit and Loss (FVPL).

Following the consultation undertaken by the Ministry of Housing, Communities and Local Government, [MHCLG], on IFRS9 the Government has introduced a mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds. This will be effective from 1 April 2018. The statutory override applies for five years from this date. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.

Appendix F

Extension to the specific responsibilities of the S151 officer as per the Treasury Management code

The below list of specific responsibilities of the S151 officer in the 2017 Treasury Management Code has not changed. However, implicit in the changes in both codes, is a major extension of the functions of this role, especially in respect of non-financial investments, (which CIPFA has defined as being part of treasury management);

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe.
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following
    - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*
    - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*
    - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to*

ensure that appropriate professional due diligence is carried out to support decision making;

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*

- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

Appendix G

GLOSSARY OF TERMS

Authorised Limit	The maximum amount of external debt at any one time in the financial year.
Basis Point (BP)	1/100th of 1%, i.e. 0.01%
Base Rate	Minimum lending rate of a bank or financial institution in the UK.
Benchmark	A measure against which the investment policy or performance of a fund manager can be compared.
Bill of Exchange	A financial instrument financing trade.
Callable Deposit	A deposit placed with a bank or building society at a set rate for a set amount of time. However, the borrower has the right to repay the funds on pre-agreed dates, before maturity. This decision is based on how market rates have moved since the deal was agreed. If rates have fallen the likelihood of the deposit being repaid rises, as cheaper money can be found by the borrower.
Cash Fund Management	Fund management is the management of an investment portfolio of cash on behalf of a private client or an institution, the receipts and distribution of dividends and interest, and all other administrative work in connection with the portfolio.
Certificate of Deposit (CD)	Evidence of a deposit with a specified bank or building society repayable on a fixed date. They are negotiable instruments and have a secondary market; therefore, the holder of a CD is able to sell it to a third party before the maturity of the CD.
Commercial Paper	Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations and other borrowers. Such instruments are unsecured and usually discounted, although some may be interest bearing.
Corporate Bond	Strictly speaking, corporate bonds are those issued by companies. However, the term is used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
Counterparty	Another (or the other) party to an agreement or other market contract (e.g. lender/borrower/writer of a swap/etc.)
CDS	Credit Default Swap – a swap designed to transfer the credit exposure of fixed income products between parties. The buyer of a credit swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the product. By doing this, the risk of default is transferred from the holder of the fixed income security to the seller of the swap.
CFR	Capital Financing Requirement.
CIPFA	Chartered Institute of Public Finance and Accountancy.
CLG	Department for Communities and Local Government.
Derivative	A contract whose value is based on the performance of an underlying financial asset, index or other investment, e.g. an option is a derivative because its value changes in relation to the performance of an underlying stock.
DMADF	Deposit Account offered by the Debt Management Office, guaranteed by the UK government.

ECB	European Central Bank – sets the central interest rates in the EMU area. The ECB determines the targets itself for its interest rate setting policy; this is the keep inflation within a band of 0 to 2 per cent. It does not accept that monetary policy is to be used to manage fluctuations in unemployment and growth caused by the business cycle.
Enhanced Cash Funds	A pooled investment fund. Longer dated investment than a MMF and, unlike an MMF, enhanced cash funds have variable asset value. Assets are marked to market on a daily basis and the unit prices vary accordingly. Investments can be withdrawn on a notice basis (the length of which depends on the fund) although such funds would typically be used for investments of 3 to 6 month duration.
Equity	A share in a company with limited liability. It generally enables the holder to share in the profitability of the company through dividend payments and capital gain.
Forward Deal	The act of agreeing today to deposit funds with an institution for an agreed time limit, on an agreed future date, at an agreed rate.
Forward Deposits	Same as forward dealing (above).
Fiscal Policy	The government policy on taxation and welfare payments.
GDP	Gross Domestic Product.
Gilt	Registered British government securities giving the investor an absolute commitment from the government to honour the debt that those securities represent.
Mark to Market Accounting	Accounting on the basis of the “fair value” of an asset or liability, based on the current market price. As a result, values will change with market conditions.
Minimum Revenue Provision	This is a prudent sum set aside each year to offset the principal repayment of any loan to smooth the impact on the local taxpayer.
Money Market Fund	A well rated, highly diversified pooled investment vehicle whose assets mainly comprise of short-term instruments. It is very similar to a unit trust, however an MMF relies on loans to companies rather than share holdings.
Monetary Policy Committee (MPC)	Government body that sets the bank rate (commonly referred to as being base rate). Their primary target is to keep inflation within plus or minus 1 per cent of a central target of 2.5 per cent in two years’ time from the date of the monthly meeting of the committee. Their secondary target is to support the government in maintaining high and stable levels of growth and employment.
Non-UCITS Retail Scheme (NURS) –	Undertakings for collective investments are funds authorised to be sold in the UK that are required to meet standards set by the UK services regulator. An example is property funds.
Operational Boundary	The most likely, prudent but not worst-case scenario of external debt at any one time.
Other Bonds	Pooled funds investing in a wide range of bonds.
PWLB	Public Works Loan Board.
QE	Quantitative Easing.

Retail Price Index	Measurement of the monthly change in the average level of prices at the retail level weighted by the average expenditure pattern of the average person.
Sovereign Issues (Ex UK Gilts)	Bonds issued or guaranteed by nation states but excluding UK government bonds.
Supranational Bonds	Bonds issued by supranational bodies, e.g. European Investment Bank. The bonds – also known as Multilateral Development Bank bonds – are generally AAA rated and behave similarly to gilts, but pay a higher yield ("spread") given their relative illiquidity when compared with gilts.
Treasury Bill	Treasury bills are short-term debt instruments issued by the UK or other governments. They provide a return to the investor by virtue of being issued at a discount to their final redemption value.

Vale of White Horse District Council

Report to:

Joint Audit and Governance Committee
Cabinet
Council

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To:	JOINT AUDIT & GOVERNANCE COMMITTEE on	26 January 2021
	CABINET on	05 February 2021
	COUNCIL on	10 February 2021

Treasury Management and Investment Strategy 2021/22

Recommendations

That Joint Audit and Governance Committee approves each of the following key elements of this report, and recommends these to Cabinet:

1. To approve the treasury management strategy 2021/22 set out in appendix A to this report;
2. To approve the prudential indicators and limits for 2021/22 to 2023/24 as set out in, appendix A.
3. To approve the annual investment strategy 2021/22 set out in appendix A, and the lending criteria detailed in table 6.

That Cabinet considers any comments from committee and recommends Council to approve report.

Purpose of report

1. This report presents the council's Treasury Management Strategy (TMS) for 2021/22. This sets out how the council's treasury service will support financing of capital investment decisions, and how treasury management operates day to day. It sets out the limitations on treasury management activity informed by the prudential indicators, within which the council's treasury function must operate. The strategy is included as appendix A to the report. This report includes the three elements

required by legislation as follows:

- The **prudential and Treasury indicators** required by the CIPFA Prudential Code 2017 for Capital Finance in Local Authorities and CIPFA TM code of Practice 2017;

- The **annual investment strategy**. This sets out the council's criteria for selecting counterparties and limiting exposure to the risk of loss on its investments.

- A statutory duty to approve a **minimum revenue provision** policy statement, (appendix A, paragraphs 14-18).

It is a requirement of the CIPFA Code of Practice on Treasury Management 2017 that this report is approved by full Council on an annual basis.

Strategic objectives

2. Managing the finances of the authority in accordance with the treasury management strategy will help to ensure that resources are available to deliver its services and meet the council's strategic objectives.

Background

3. Treasury management is the planning of the council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

4. The funding of the council's capital expenditure is also a function of treasury management. The capital programme provides a guide to the funding needs of the council and informs long-term cash flow plans to ensure that the council can meet its capital spending obligations.

5. Treasury investments are effectively what the council does with its cash resources before it is spent on the provision of services and the funding of the capital programme. All expenditure of a capital nature is managed through the council's capital programme and is not covered by this report.

6. The treasury management and annual investment strategy set out the council's policies for managing investments and confirms the council gives priority to the security and liquidity of those investments. It also includes the prudential indicators for the next three years; these demonstrate that the council's capital investment plans are affordable, prudent and sustainable.

7. The council's treasury management strategy 2021/22 is attached in appendix A. Whilst every attempt has been made to minimise the technical content of this report, it is, by its very nature and the need for compliance with associated guidance, technical in parts. A glossary of terms in appendix G should aid members understanding of some technical terms used in the report.

8. The last significant review by CIPFA of its 'Prudential code' and the 'Treasury Management Code of Practice' was in 2017.

Recommended changes to the treasury management strategy

9. Council approved the 2020/21 treasury management strategy on 12 February 2020. The proposed strategy for 2021/22 includes the changes detailed below, which cabinet is asked to recommend to council.

Counterparty limits

10. On 31 March 2020 the Interim Head of Finance waived financial procedure rule 53 and allowed the councils to over-ride their counter party limits for money market funds. This was to allow the councils to deal with the receipt of unprecedented levels of government grant funding to fund the business grant schemes administered by the councils on behalf of the government.

11. Delegation 2.7 of the council constitutions allows the Interim Head of Finance, in consultation with the cabinet member for finance, to raise counterparty limits by £3,000,000 within a financial year.

12. Officers believe the same temporary increase will be required for the first half of 2021/22. The increased limits on specific counterparties are set out in the table below.

Counterparty	Amount required £mil
Skipton Building Society	3
West Bromwich Building Society	3
Newcastle Building Society	3
Nottingham Building Society	3
National Counties Building Society	3
Progressive Building Society	3
Monmouthshire Building Society	3
Furness Building Society	3
Money Market Fund	10

Financial implications and risk assessment

13. This report and all associated policies and strategies set out clearly the parameters the council must work within. It is important that the council follows the approved treasury management strategy which is designed to help protect the council's finances by managing its risk exposure.

14. Link Treasury Services has provided a counterparty methodology, but given the council's balances, we have expanded on this methodology to include building societies to ensure a diversified portfolio.

15. Base rate is currently 0.10 per cent. It dropped from 0.25 per cent to 0.10 per cent on 19 March 2020 to help control the economic shock of coronavirus. The Bank of

England had dropped base rate from 0.75 per cent to 0.25 per cent one week earlier on 11 March 2020.

16. Link Asset Services forecast that the bank base rate will not increase before March 2024.

17. The table below gives an estimate of the investment income achievable for the next five years;

Table 1: Medium term investment income forecast	2021/22 £000's	2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's
Forecast as at December 2020	558	138	131	181	181

The 2021/22 budget setting report and medium term financial plan will take into account the latest projections of anticipated investment income.

Legal implications

18. There are no significant legal implications as a result of the recommendations in this report. Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services, the CLG Local Government Investment Guidance provides assurance that the council's investments are, and will continue to be, within its legal powers.

19. The council must approve any amendment to the treasury management strategy and annual investment strategy in accordance with the Local Government Act 2003 (the Act), the CIPFA Code of Practice for Treasury Management in the Public Services and the CLG Local Government Investment Guidance under Section 15(1)(a) Local Government Act 2003 and CIPFA Prudential Code for Capital Finance.

Conclusion

20. This report introduces the treasury management strategy and the annual investment strategy for 2021/22 which are appended to this report, together with the prudential indicators for approval to council. These documents provide the parameters within which the council's treasury management function will operate.

Background papers

- CIPFA Code of Practice on Treasury Management 2017
- CIPFA Prudential Code 2017
- CIPFA Treasury Management in the Public Services Guidance Notes 2018
- CIPFA statement 17.10.18 on borrowing in advance of need and investments in commercial properties
- CIPFA Bulletin 02 Treasury and Capital Management Update October 2018
- Statutory Guidance on Local Government Investments (3rd Edition)
  Statutory Guidance on Minimum Revenue Provision

Appendices

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Appendix A

Treasury Management Strategy 2021/22

Introduction

1. The first main function of the treasury management services is to ensure the council's cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the council's low risk appetite, providing adequate liquidity initially before considering investment return. The second main function of the treasury management service is the funding of the council's capital plans.

2. Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

3. CIPFA defines treasury management as:

   "The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

4. Revised reporting was required for the 2019/20 reporting cycle due to revisions of the Ministry of Housing, Communities & Local Government (MHCLG) Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes included the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is reported separately.

Treasury Management reporting

5. The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

   a) Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report is forward looking and covers:
      - the capital plans, (including prudential indicators);
      - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
      - the treasury management strategy, (how the investments and borrowings are managed), including treasury indicators; and
      - an investment strategy, (the parameters on how investments are to be managed).

b) A mid-year treasury management report – This is primarily a progress report and will update members on the mid-year treasury performance, amending prudential indicators as necessary, and whether any policies require revision.

c) An annual treasury report – This report reviews performance for the previous financial year and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

6. The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Joint Audit and Governance Committee.

Treasury Management Strategy for 2021/22

7. The strategy for 2021/22 covers the areas below:
   - the capital expenditure plans and the associated prudential indicators;
   - the minimum revenue provision (MRP) policy.
   - the current treasury position;
   - treasury indicators which limit the treasury risk and activities of the Council;
   - prospects for interest rates;
   - the borrowing strategy;
   - policy on borrowing in advance of need;
   - debt rescheduling;
   - the investment strategy;
   - creditworthiness policy; and
   - the policy on use of external service providers.

8. These elements cover the requirements of the Local Government Act 2003, (the Act) the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

Councillor and officer training

9. The CIPFA Code requires the Interim Head of Finance to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. The training needs of treasury management officers are periodically reviewed.

Capital Prudential Indicators

10. The Council's capital expenditure plans (as detailed in the council's capital programme) are a key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Treasury management consultants

11. The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors.

12. The Council recognises that responsibility for treasury management decisions always remains with the organisation and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisors.

13. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills, knowledge and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

Minimum Revenue Provision (MRP) policy statement 2021/22

14. The council's current capital programme will primarily be financed from internal resources. If borrowing is undertaken, then the council will be required by statute to set aside funds in the annual revenue budget to amortise the principal element of any borrowing – this is the MRP. There will also be a requirement to set aside revenue budget for the interest payments on any borrowing raised. Loans will generally be taken over the life of the assets being financed and amortised accordingly.

15. The council is required by regulation to approve an annual MRP policy before the start of the year to which it relates. Any in-year changes must also be submitted to the council for approval.

16. A variety of options are provided to councils for the calculation of MRP. The council has chosen the "asset life method" as being most appropriate. Using this method MRP will be based on the estimated life of the asset, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction). Repayments included in annual PFI or finance leases are applied as MRP.

17. Currently, the council's MRP liability is nil. This will remain the case unless capital expenditure is financed by external or internal borrowing.

18. The Interim Head of Finance will determine the most appropriate repayment method, term of borrowing and duration of borrowing. As a general illustration, Table 1 below gives an example of the annual revenue costs associated with borrowing an amount of £2.5 million over a 50 year period, based on the current district tax base of 53,919 Band D equivalents.

Table 1: Example MRP and interest calculation		
Loan Amount	£2,500,000	
Loan Duration	50 Years	
PWLB Interest	1.38%	
2021/22 Tax Base	53,919	
	£	£ per Band D
MRP Element	£50,000	0.93
Annual Interest Cost	£34,500	0.64
Total	**£84,500**	**1.57**

Prospects for interest rate forecast and economic rate forecasts

19. The following table gives Link Asset Services central view on expected interest rate movements out to March 2024. It should be read alongside the commentary provided below.

Table 2: interest rate forecasts - *Quoted by link Asset Services December 2020*

Bank Rate	NOW	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Link Group	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Capital Economics	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	-	-	-	-	-

5yr PWLB Rate	NOW	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Link Group	0.84%	0.80%	0.80%	0.80%	0.80%	0.80%	0.90%	0.90%	0.90%	0.90%	0.90%	1.00%	1.00%	1.00%	1.00%
Capital Economics	0.84%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	-	-	-	-	-

10yr PWLB Rate	NOW	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Link Group	1.15%	1.10%	1.10%	1.10%	1.10%	1.20%	1.20%	1.20%	1.30%	1.30%	1.30%	1.20%	1.30%	1.30%	1.30%
Capital Economics	1.15%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	-	-	-	-	-

25yr PWLB Rate	NOW	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Link Group	1.70%	1.50%	1.50%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.70%	1.80%	1.80%	1.80%	1.80%
Capital Economics	1.70%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	-	-	-	-	-

50yr PWLB Rate	NOW	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Link Group	1.54%	1.30%	1.30%	1.40%	1.40%	1.40%	1.40%	1.50%	1.50%	1.50%	1.50%	1.60%	1.60%	1.60%	1.60%
Capital Economics	1.54%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	-	-	-	-	-

20. The fall in GDP in the first half of 2020, as a result of the COVID-19 pandemic, of 28 per cent was revised upwards to 23 percent. This is still one of the largest falls in output of any developed nation but is only to be expected as the UK economy is heavily skewed towards consumer facing services, which were particularly vulnerable to being damaged by lockdown.

21. The Monetary Policy Committee (MPC) still expects the £300 billion of QE purchases announced between the March and June meetings to continue until the “turn of the

year". This implies that the pace of purchases will slow further to about £4 billion a week, down from £14 billion a week at the height of the crisis and £7 billion more recently.

22. The pace of recovery is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. There will also be some painful longer-term adjustments as office space and travel by planes, trains and buses may not recover their previous level of use for several years or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown how vulnerable long-distance supply chains are. On the other hand, digital services is one area that has already seen huge growth.

Negative interest rates

23. While the Bank of England has said that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, as with our councils, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis, causing sudden large increases in investment balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

24. As for money market funds (MMFs), yields have continued to drift lower. Some managers have suggested that they might resort to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a glut of money swilling around at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions.

25. Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

26. Although the Bank of England has seemingly ruled out using negative interest rates for now, it has recently written to all UK banks and building societies, as well as large international banks and insurers, asking them to identify any operational challenges associated with implementation of zero or negative bank rate. It suggested that while negative rates can work in some circumstances, it would be "less effective as a tool to stimulate the economy" at this time when banks are worried about future loan losses. It also has "other instruments available", including quantitative easing (QE) and forward guidance.

27. A move to negative interest rates will see treasury investment income fall. We are predicting that South will not reach their budgeted income levels for this year due to the drop in interest rates already experienced, and both councils will see a reduction

in investment income in future years that will need to be built into future years budgets.

28. There is a risk that the cash the councils hold short term for working capital will attract nominal interest charges. However, we will mitigate this risk by investing the remaining balances longer term where possible, and also potentially making more use of notice accounts.

29. We will continue to maintain a close dialogue with our treasury advisors (Link Asset Services) and we will continue to work pro-actively in accordance with our treasury strategy to minimise any adverse impact on investment returns that may result in the event of bank rate becoming negative.

Treasury Limits for 2021/22 to 2023/24

30. It is a statutory duty, under Section 3 of the Act and supporting regulations for the council to determine and keep under review how much it can afford to borrow. The amount so determined is called the "Affordable Borrowing Limit". The Authorised Limit is the legislative limit specified in the Act.

31. The council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital expenditure remains within sustainable limits and that the impact upon its future council tax is 'acceptable'.

32. The Authorised Limit is set on a rolling basis, for the forthcoming financial year and two successive financial years.

33. The following indicators set the parameters within which we manage the overall capital investment and treasury management functions. There are specific treasury activity limits, which aim to contain the activity of the treasury function in order to manage risk and reduce the impact of an adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The limits are set out in table 2 below.

Cabinet is asked to recommend council to approve the limits:

Table 3: Prudential indicators	**2020/21 Approved £m**	**2021/22 Estimate £m**	**2022/23 Estimate £m**	**2023/24 Estimate £m**
Debt				
Authorised limit for external debt				
Borrowing	30	30	30	30
Other long term liabilities	0	0	0	0
	35	**35**	**35**	**35**
Operational boundary for external debt				
Borrowing	25	25	25	25
Other long term liabilities	0	0	0	0
	30	**30**	**30**	**30**

Interest rate exposures				
Maximum fixed rate borrowing	100%	100%	100%	100%
Maximum variable rate borrowing	100%	100%	100%	100%
Investments				
Interest rate exposures				
Limits on fixed interest rates	100%	100%	100%	100%
Limits on variable interest rates	50	50	50	50
Principal sums invested > 364 days				
Upper limit for principal sums invested >364 days	40	40	40	40

Current position

34. The maturity structure of the council's investments at 30 November 2020 was as follows:

Table 4: maturity structure of investments:

	Total £000's	% Holding
Call	-	0%
Money market fund	13,920	11%
Less than 6 months	50,000	41%
6 months to 1 year	45,000	37%
1 year +	11,000	9%
CCLA - Property Fund	2,000	2%
Total Investments	**121,920**	**100%**

Note: £122 million does not represent uncommitted resource the council has at its disposal. This amount includes council tax receipts held prior to forwarding to Oxfordshire County Council and the Police and Crime Commissioner for the Thames Valley, business rate receipts prior to payment to the government and committed capital and revenue balances. Details of the council's uncommitted balances are provided in the annual budget and council tax setting report.

35. The council currently holds all of its investments in the form of either cash deposits or a managed property fund (£2 million with CCLA), the majority of which have been placed for fixed terms with a fixed investment return.

36. The council's considerations for investment will remain security, liquidity and yield – in that order. Officers undertaking Treasury Management will work towards the optimum profile distribution.

Investment performance for the year to 30 November 2020.

37. The council's budgeted investment return for 2020/21 is £0.8 million, and the actual interest received to date is shown as follows:

Table 5: Investment interest earned by investment type				
		Interest Earned		
Investment type	Annual Budget £000's	Actual to date £000's	Annual Forecast £000's	Forecast Variation £000's
Fixed term and call cash	746	170	933	187
CCLA	87	54	87	0
Total interest	**833**	**224**	**1,020**	**187**

Borrowing Strategy 2021/22

38. The annual treasury management strategy has to set out details of the council's borrowing requirement, any maturing debt which will need to be re-financed, and the effect this will have on the treasury position over the next three years. This council currently has no external debt and in general, the council will borrow for one of two purposes;

- to support cash flow in the short-term;
- To fund capital investment over the medium to long term.

39. Any borrowing undertaken will be within the scope of the boundaries given in the prudential indicators shown in Table 2, which allow for the council to borrow up to a maximum of £30 million, if such a need arose. This also allows short-term borrowing for the cash flow management activities of the authority.

40. The existing capital programme can be financed from internal resources. Additional expenditure committed in the future can be financed either by use of reserves or internal borrowing or externally (through prudential borrowing). Any decision on borrowing will be taken by the Interim Head of Finance based on the optimum cost to the council.

41. Any borrowing for capital financing purposes will be assessed by the Interim Head of Finance to be prudent, sustainable and affordable

42. This strategy allows the Interim Head of Finance to determine the most suitable repayment terms of any borrowing to demonstrate affordability and sustainability in the medium term financial plan if required. As a general rule, the term of any borrowing will not be longer than the expected life of the capital asset being created.

Policy on borrowing in advance of need

43. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

44. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Annual investment strategy 2021/22

45. The MHCLG and CIPFA have extended their definition of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

46. The Council's investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

47. The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

48. The primary aim of the council's investment strategy is to maintain the security and liquidity of its investments; yield or return on the investment will be a secondary consideration, subject to prudent security and liquidity. The council will ensure:

- It has sufficient liquidity in its investments to cover cash flow. For this purpose, it has set out parameters for determining the maximum periods for which funds may prudently be committed.

- It maintains a policy covering the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.

49. The strategy aims to provide a high degree of flexibility to take appropriate lending decisions, with a view to producing a portfolio with an even spread of maturity periods. This aim is to provide a more even and predictable investment return in the medium term.

50. The council's Interim Head of Finance will ensure a counterparty list (a list of named institutions) is maintained in compliance with the recommended credit rating criteria (table 6) and will revise the criteria and submit any changes to the credit rating criteria to council for approval as necessary.

Investment types

51. The types of investment that the council can use are summarised below. These are split under the headings of 'specified' and 'non-specified' in accordance with the statutory guidance.

Specified investment instruments

52. These are sterling investments of not more than one-year maturity, or those where the council has the right to be repaid within 12 months if it wishes. These would include sterling investments with:

- UK government Debt Management Agency Deposit Facility (DMADF)
- UK government – treasury stock (Gilts) with less than one year to maturity
- Supranational bonds of less than one year's duration
- Deposits with UK local authorities
- Pooled investment vehicles such as Money Market Funds (MMF) (AAA rated)
- Deposits with banks and building societies (minimum F1/A- rated)
- Certificates of deposits issued by banks and building societies (minimum rating as above)

Non-specified investment instruments

53. These are any other type of investment (i.e. investments not defined as specified, above). Examples of non-specified investments include any sterling investments with:

- Supranational bonds of 1 to 10 years to maturity
- UK treasury stock (Gilts) with a maturity of 1 to 10 years
- Unrated building societies (minimum asset value £1 billion)
- Bank and building society cash deposits up to 5 years (minimum F1/A- rated)
- Deposits with UK local authorities up to 25 years to maturity
- Corporate bonds
- Pooled property, pooled bond funds and UK pooled equity funds
- Diversified Income Fund
- Multi-Asset Fund
- Ultra-Dated/Short dated bond
- Non-UCITS Retail Schemes (NURS)

Other Non-specified investment instruments.

54. Other non-specified investment instruments include:

- Fixed term deposits with variable rate and variable maturities

Approach to investing

55. The council holds approximately £40 million core cash balances which are available to invest for more than one year. This is expected to reduce over the medium term as the approved capital expenditure is incurred and to fund the revenue budget shortfall. In addition, the council has funds that are available on a temporary basis to invest. These are held pending payment over to another body such as precept payments and council tax. The amount can vary between £5 million and £15 million throughout the year and should only be invested short term (under one year). Investments will be made with reference to known cash flow requirements (liquidity).

56. While rates remain historically low the council will aim to keep investments relatively short term but will continue to look for opportunities to fix lending in the medium term with highly rated institutions when possible for core cash balances. The aim is to increase the weighted average maturity of the portfolio in order to reduce maturity risk.

57. Officers will continue to provide tight controls on the investments placed. Where possible, opportunities to spread the investment risk over different types of instruments will be considered.

58. Should market conditions deteriorate suddenly to the extent that the council is unable to place money with institutions with the necessary credit rating, it will make use of the UK Government deposit account (DMADF).

59. The council has the authority to lend to other local authorities at market rates. Whilst investments with other local authorities are considered to be supported by central government, officers will consider the financial viability and sustainability of the individual local authority before any funds are advanced.

60. Further investment in property funds will be looked at in more detail for consideration. In 2013/14 the council invested £2 million in the Churches Charities and Local Authorities pooled property investment fund (CCLA).

61. Money market funds are mainly used for liquidity; they also provide security and spread portfolio risk. Officers will always monitor the council's exposure to these funds in order to manage our security risk.

62. Currently the council does not make use of an external fund manager. Whilst there are presently no plans for this situation to change, this will continue to be kept under review.

63. Bond funds can be used to diversify the portfolio, whilst maintaining an element of liquidity and security. These will be considered and reviewed as an investment possibility to spread portfolio risk.

64. One option to offer diversification in the council's investment portfolio would be to make use of Ultra Short Dated / Short Dated Bond Funds (USDBF / SDBFs).. Possible use of such funds would be intended for longer term investments than with traditional money market funds (i.e. for possible investment durations of three – six months).

65. USDBF/SDBF have a variable net asset value (VNAV). This means the assets are 'marked to market' (re-valued to current market value) on a daily basis and the fund unit price adjusted accordingly. Under this calculation basis the unit price fluctuates and could, therefore, be higher or lower than the original investment when it is redeemed. Any use of the above funds would be restricted to the high-quality counterparty credit criteria as set out in Table 6 below.

66. The council does not currently make use of certificates of deposit. Consideration will be given to their use to assist diversification of the investment portfolio. Certificates of deposit have the same level of ranking and security as ordinary fixed term deposits but have the option of being traded before maturity. Certificates of deposit are bought and sold on the stock market and their price can go up or down prior to their redemption date. If held to maturity the investment will return their issue value. The council would only normally look to enter into such investments on a held to maturity basis.

Counterparty selection

67. Treasury management risk is the risk of loss of capital to the council. To minimise this risk, the council uses credit rating information when considering who to lend to. Link Asset Services provide the council with credit rating updates from all three ratings agencies – Standard & Poors, Fitch and Moodys.

68. The council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies in evaluating investment opportunity. This is because adopting this approach could leave the council with too few counterparties for the strategy to be workable. Instead, counterparty investment limits will be set by reference to all of the assigned ratings.

69. Where counterparties fail to meet the minimum required criteria (Table 6 below) they will be omitted from the counterparty list. Any rating changes and rating watches (notification of a rating change under consideration) are provided to officers almost immediately after they occur, and this information is considered before any deal is entered into. Extreme market movements may result in a downgrade of an institution or removal from the council's lending list.

70. Additional requirements under the CIPFA Treasury Management Code require the council to supplement the credit rating data with operational market information such as credit default swaps (CDS), negative watches and outlooks, which are considered when assessing the security of counterparties. This additional information is used so that the council does not rely solely on the current credit ratings of counterparties.

71. Where it is felt the council would benefit from utilising government guarantees provided by countries with an AAA rating, the council may lend to institutions covered by such guarantees. Any decision to lend in this way will be subject to consultation with the agreement of the cabinet member responsible for finance.

Country and sector considerations

72. The council has determined that it will only use approved counterparties outside the UK from countries with a minimum sovereign credit rating of AAA from Fitch Ratings.

Counterparty limits

73. In the normal course of the council's cash flow operations it is expected that both specified and non-specified investments will be used for the control of liquidity as both categories allow for short term investments. The use of longer term instruments (greater than one year from inception to repayment) will fall in the non-specified investment category. These instruments will be used where the council's liquidity requirements are safeguarded. The council will lend to institutions that meet the following criteria:

Table 6: Counterparty Limits				
Counterparty	Minimum Fitch Long term Rating (or equivalent)	Counterparty Limit £m	Max. maturity period	Maximum % of total
Institutions with a minimum rating:	F1+ / AA-	£10m	5 years	100%
Institutions with a minimum rating:	F1 / A-	£10m	2 year	80%
Institutions with a minimum rating:	F2/BBB	£5m	1 year	70%
Banks - part nationalised UK	UK sovereign	£15m	3 years	100%
Banks - house bank	n/a	£5m	3 months	20%
Building societies >£1m	n/a	£3m	12 months	50%
Building Societies	BBB+	£7m	12 Months	70%
Local authorities , parish councils	n/a	£20m	25 years	50%
Money Market funds (CNAV)	AAA	£20m	liquid	100%
Pooled property funds - CCLA	n/a	£7m	Variable	15%
Corporate Bonds	AA-	£5m	Variable	40%
CCLA Diversified Income Fund	n/a	£3m	Variable	10%
Multi - Asset Funds	n/a	£3m	Variable	10%
Ultra Dated/Short dated bonds	n/a	£3m	Variable	10%
Non-UCITS Retail Scheme (NURS)	n/a	£3m	Variable	50%
Managed Bond Funds	n/a	£15m	Variable	70%
Share capital / Equities	n/a	£3m	Variable	20%
Supranationals	AAA	£10m	10 years	50%
UK Government - gilts	UK sovereign	No limit	25 years	20%
UK Government - DMADF	UK sovereign	No limit	12 Months	100%
UK Government - Treasury Bills	UK sovereign	No limit	6 Months	100%

74. The criteria for choosing counterparties provides a sound approach to investment. Whilst councillors are asked to approve the criteria in table 6, under exceptional market conditions the Interim Head of Finance may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval.

75. On 31 March the Interim Head of Finance waived financial procedure rule 53 and allowed the councils to over-ride their counter party limits for money market funds. This was to allow the councils to deal with the receipt of unprecedented levels of government grant funding to fund the business grant schemes administered by the councils on behalf of the government.

76. Delegation 2.7 of the council constitutions allows the Interim Head of Finance, in consultation with the cabinet member for finance, to raise counterparty limits by £3,000,000 within a financial year.

77. Officers believe the same temporary increases will be required for the first half of 2021/22. The increased limits on specific counterparties are set out in the table below.

Counterparty	Amount required £mil
Skipton Building Society	3
West Bromwich Building Society	3
Newcastle Building Society	3
Nottingham Building Society	3
National Counties Building Society	3
Progressive Building Society	3
Monmouthshire Building Society	3
Furness Building Society	3
Money Market Fund	10

Fund managers

78. The council does not currently employ any external fund managers. However, in the event of such an appointment, appointees will comply with this and subsequent treasury strategies. This strategy empowers the Section 151 officer to appoint such an external manager to manage a proportion of the council's investment portfolio if this is advantageous. Situations in which this might be advantageous include benchmarking the performance of the treasury team; benefiting from the often-extensive credit risk and economic modelling resources of external fund managers and resources necessary to hold liquid instruments for trading.

Risk and performance benchmarks

79. A requirement of the Code is that security and liquidity benchmarks are considered and approved. This is in addition to yield benchmarks which are used to assess performance. The benchmarks are guidelines (not limits) so may be breached depending on the movement in interest rates and counterparty criteria. Their purpose is to allow officers to monitor the current trend position and amend the operational strategy depending on any changes. Any breach of the benchmarks will be reported, with an explanation in the mid-year or annual report to audit and corporate governance committee. Detailed information for the assessment of risk is shown in appendix C.

80. Performance indicators are set to assess the adequacy of the treasury function over the year. These are distinct historic performance indicators, as opposed to the predominantly forward looking prudential indicators. The indicators used to assess the performance of the treasury function are:

- Cash investments - 3-month LIBID rate.
- Property related investments – IPD Balance Property Unit Trust Index.

81. The results of these indicators will be reported in both the annual mid-year and yearend treasury reports.

Policy on the use of treasury management advisors

82. The council has a joint contract for treasury management advisors with South Oxfordshire District Council. Link Asset Services provides a range of services which include:

- technical support on treasury matters, capital finance issues, statutory reports;
- economic forecasts and interest rate analysis;
- credit ratings / market information service involving the three-main credit rating agencies;
- strategic advice including a review of the investment and borrowing strategies and policy documents.

83. The council recognises that responsibility for treasury management decisions always remains with the organisation and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills, resources and up to date market information.

Treasury management scheme of delegation and the role of the Section 151 officer

84. **Council**
- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

85. **Joint Audit and Governance Committee/ Cabinet**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- Ensuring effective scrutiny of the treasury management function

86. **Section 151 Officer/Interim Head of Finance**
- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- Approving the selection of external service providers and agreeing terms of appointment.

87. The above list of specific responsibilities of the S151 officer in the 2017 Treasury Management Code has not changed. However, implicit in the changes in both codes, is a major extension of the functions of this role, especially in respect of non-

financial investments, (which CIPFA has defined as being part of treasury management), (See Appendix G).

Summary

88. Prior to the beginning of each financial year the council must approve the treasury management strategy. The strategy sets the parameters within which officers can manage the council's cash flows and invest any surplus funds.

89. This strategy provides a commentary on the current financial climate and sets out the council's lending strategy in response to this.

Appendix B

ECONOMIC BACKGROUND

- **UK.** The Bank of England's Monetary Policy Committee kept **Bank Rate** unchanged on 5th November. However, it revised its economic forecasts to take account of a second national lockdown from 5th November to 2nd December which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of **quantitative easing (QE) of £150bn**, to start in January when the current programme of £300bn of QE announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".
- Its forecasts appeared, at the time, to be rather optimistic in terms of three areas:
    - The economy would recover to reach its pre-pandemic level in Q1 2022
    - The Bank also expects there to be excess demand in the economy by Q4 2022.
    - CPI inflation is therefore projected to be a bit above its 2 per cent target by the start of 2023 and the "inflation risks were judged to be balanced".
- Significantly, there was no mention of **negative interest rates** in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.
- One key addition to **the Bank's forward guidance** in August was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2 per cent target sustainably". That seems designed to say, in effect, that even if inflation rises to 2 per cent in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase through to quarter 1 2024 but there could well be no increase during the next five years due to the slow rate of recovery of the economy and the need for the Government to see the burden of the elevated debt to GDP ratio falling significantly. **Inflation** is unlikely to pose a threat requiring increases in Bank Rate during this period as there is likely to be spare capacity in the economy for a considerable time. It is expected to briefly peak at around 2 per cent towards the end of 2021, but this is a temporary short lived factor and so not a concern.
- However, the minutes did contain several references to **downside risks**. The MPC reiterated that the "recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside". It also said "the risk of a more persistent period of elevated unemployment remained material". Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. That could involve some or all of the lockdown being extended beyond 2nd December, a temporary relaxation of restrictions over Christmas, a resumption of the lockdown in January and lots of regions being subject to Tier 3 restrictions when the lockdown ends. Hopefully, restrictions should progressively ease during the spring. It is only to be expected that some businesses that have barely survived the first lockdown, will fail to survive the second lockdown, especially those businesses that depend on a surge of business in the run up to Christmas each year. This will mean that there will be some level of further permanent loss of economic activity, although the extension of the furlough scheme to the end of 31st March will limit the degree of damage done.

- As for **upside risks**, we have been waiting expectantly for news that various **COVID19 vaccines** would be cleared as being safe and effective for administering to the general public. The Pfizer announcement on 9th November was very encouraging as its 90 per cent effectiveness was much higher than the 50-60 per cent rate of effectiveness of flu vaccines which might otherwise have been expected. However, their phase three trials are still only two-thirds complete. More data needs to be collected to make sure there are no serious side effects. We don't know exactly how long immunity will last or whether it is effective across all age groups. The Pfizer vaccine specifically also has demanding cold storage requirements of minus 70C that might make it more difficult to roll out. However, the logistics of production and deployment can surely be worked out over the next few months.
- However, there has been even further encouraging news since then with another two vaccines announcing high success rates. Together, these three announcements have enormously boosted confidence that **life could largely return to normal during the second half of 2021**, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels, which would help to bring the unemployment rate down. With the household saving rate currently being exceptionally high, there is plenty of pent-up demand and purchasing power stored up for these services. A comprehensive roll-out of vaccines might take into late 2021 to fully complete; but if these vaccines prove to be highly effective, then there is a possibility that restrictions could begin to be eased, possibly in Q2 2021, once vulnerable people and front-line workers had been vaccinated. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7 per cent next year instead of 9 per cent. But while this would reduce the need for more QE and/or negative interest rates, increases in Bank Rate would still remain some years away. There is also a potential question as to whether the relatively optimistic outlook of the Monetary Policy Report was swayed by making positive assumptions around effective vaccines being available soon. It should also be borne in mind that as effective vaccines will take time to administer, economic news could well get worse before it starts getting better.
- **Public borrowing** is now forecast by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19 per cent of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9 per cent of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.
- Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp but after a disappointing increase in GDP of only 2.1 per cent in August, this left the economy still 9.2 per cent smaller than in February; this suggested that the economic recovery was running out of steam after recovering 64 per cent of its total fall during the crisis. The last three months of 2020 were originally expected to show zero growth due to the impact of widespread local lockdowns, consumers probably remaining cautious in spending, and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year also being a headwind. However, the second national lockdown starting on 5th November for one month is expected to depress GDP by 8 per cent in November while the rebound in December is likely to be muted and vulnerable to the previously mentioned downside risks. It was

expected that the second national lockdown would push back recovery of GDP to pre pandemic levels by six months and into sometime during 2023.

This recovery of growth which eliminates the effects of the pandemic by about the middle of the decade would have major repercussions for public finances as it would be consistent with the government deficit falling to 2 per cent of GDP without any tax increases. This would be in line with the OBR's most optimistic forecast in the graph below, rather than their current central scenario which predicts a 4 per cent deficit due to assuming much slower growth. However, Capital Economics forecasts assume that there is a reasonable Brexit deal and also that politicians do not raise taxes or embark on major austerity measures and so, (perversely!), depress economic growth and recovery.

- Capital Economics have not revised their forecasts for Bank Rate or gilt yields after this major revision of their forecasts for the speed of recovery of economic growth, as they are also forecasting that inflation is unlikely to be a significant threat and so gilt yields are unlikely to rise significantly from current levels.

- There will still be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.

- The **Financial Policy Committee** (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15 per cent.

US. The result of **the November elections** means that while the Democrats have gained the presidency and a majority in the House of Representatives, it looks as if the Republicans will retain their slim majority in the Senate. This means that the Democrats will not be able to do a massive fiscal stimulus, as they had been hoping to do after the elections, as they will have to get agreement from the Republicans. That would have resulted in another surge of debt issuance and could have put particular upward pressure on debt yields – which could then have also put upward pressure on gilt yields. On the other hand, equity prices leapt up on 9th November on the first news of a successful vaccine and have risen further during November as more vaccines announced successful results. This could cause a big shift in investor sentiment i.e. a swing to sell out of government debt to buy into equities which would normally be expected to cause debt prices to fall and yields to rise. However, the rise in yields has been quite muted so far and it is too early to say whether the Fed would feel it necessary to take action to suppress any further rise in debt yields. It is likely that the next two years, and possibly four years in the US, could be a political stalemate where neither party can do anything radical.

The economy had been recovering quite strongly from its contraction in 2020 of 10.2 per cent due to the **pandemic** with GDP only 3.5 per cent below its pre-pandemic level and the unemployment rate dropping below 7 per cent. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a third wave. While the first wave in March and April was concentrated in the Northeast, and the second wave in the South and West, the latest wave has been driven by a growing outbreak in the Midwest. The latest upturn poses a threat that the recovery in the economy could stall. This is **the single biggest downside risk** to the shorter term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to

overwhelm health care facilities. Under those circumstances, states might feel it necessary to return to more draconian lockdowns.

However, with the likelihood that highly effective vaccines are going to become progressively widely administered during 2021, this should mean that life will start to return to normal during quarter 2 of 2021. Consequently, there should be a sharp pick-up in growth during that quarter and a rapid return to the pre-pandemic level of growth by the end of the year.

After Chair Jerome Powell unveiled the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2 per cent and was on track to moderately exceed 2 per cent for some time."* This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2 per cent target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. The Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal. The Fed's meeting on 5 November was unremarkable - but at a politically sensitive time around the elections.

EU. The economy was recovering well towards the end of Q2 and into Q3 after a sharp drop in GDP caused by the virus, (e.g. France 18.9 per cent, Italy 17.6 per cent). However, growth is likely to stagnate during Q4, and Q1 of 2021, as a second wave of the virus has affected many countries, and is likely to hit hardest those countries more dependent on tourism. The €750bn fiscal support package eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the worst affected countries. With inflation expected to be unlikely to get much above 1 per cent over the next two years, the ECB has been struggling to get inflation up to its 2 per cent target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5 per cent, although the ECB has stated that it retains this as a possible tool to use. It is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support from governments. The current PEPP scheme of €1,350bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support. However, the PEPP scheme is regarded as being a temporary measure during this crisis so it may need to be increased once the first PEPP runs out during early 2021. It could also decide to focus on using the Asset Purchase Programme to make more monthly purchases, rather than the PEPP scheme, and it does have other monetary policy options.

However, as in the UK and the US, the advent of highly effective vaccines will be a game changer, although growth will struggle during the closing and opening quarters of this year and next year respectively before it finally breaks through into strong growth in quarters 2 and 3. The ECB will now have to review whether more monetary support will be required to

help recovery in the shorter term or to help individual countries more badly impacted by the pandemic.

China. After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies.

However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

Japan. Japan's success in containing the virus without imposing draconian restrictions on activity should enable a faster return to pre-virus levels of output than in many major economies. While the second wave of the virus has been abating, the economy has been continuing to recover at a reasonable pace from its earlier total contraction of 8.5 per cent in GDP. However, there now appears to be the early stages of the start of a third wave. It has also been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2 per cent, despite huge monetary and fiscal stimulus. There has also been little progress on fundamental reform of the economy. The change of Prime Minister is not expected to result in any significant change in economic policy.

World growth. While Latin America and India have, until recently, been hotspots for virus infections, infection rates have begun to stabilise. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20 per cent of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation.

Summary

Central banks are, therefore, likely to support growth by maintaining loose monetary policy through keeping rates very low for longer. Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand in their economies.

If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.

INTEREST RATE FORECASTS

Brexit. The interest rate forecasts provided by Link in paragraph 3.3 are predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31.12.20. However, as the differences between a Brexit deal and a no deal are not as big as they once were, the economic costs of a no deal have diminished. The bigger risk is that relations between the UK and the EU deteriorate to such an extent that both sides start to unravel the agreements already put in place. So what really matters now is not whether there is a deal or a no deal, but what type of no deal it could be.

The differences between a deal and a no deal were much greater immediately after the EU Referendum in June 2016, and also just before the original Brexit deadline of 29.3.19. That's partly because leaving the EU's Single Market and Customs Union makes this Brexit a relatively "hard" one. But it's mostly because a lot of arrangements have already been put in place. Indeed, since the Withdrawal Agreement laid down the terms of the break-up, both the UK and the EU have made substantial progress in granting financial services equivalence and the UK has replicated the bulk of the trade deals it had with non-EU countries via the EU. In a no deal in these circumstances (a "cooperative no deal"), GDP in 2021 as a whole may be only 1.0 per cent lower than if there were a deal. In this situation, financial services equivalence would probably be granted during 2021 and, if necessary, the UK and the EU would probably rollover any temporary arrangements in the future.

The real risk is if the UK and the EU completely fall out. The UK could override part or all of the Withdrawal Agreement while the EU could respond by starting legal proceedings and few measures could be implemented to mitigate the disruption on 1.1.21. In such an "uncooperative no deal", GDP could be 2.5 per cent lower in 2021 as a whole than if there was a deal. The acrimony would probably continue beyond 2021 too, which may lead to fewer agreements in the future and the expiry of any temporary measures.

Relative to the slump in GDP endured during the COVID crisis, any hit from a no deal would be small. But the pandemic does mean there is less scope for policy to respond. Even so, the Chancellor could loosen fiscal policy by about £10bn (0.5 per cent of GDP) and target it at those sectors hit hardest. The Bank of England could also prop up demand, most likely through more gilt and corporate bond purchases rather than negative interest rates.

Brexit may reduce the economy's potential growth rate in the long run. However, much of that drag is now likely to be offset by an acceleration of productivity growth triggered by the digital revolution brought about by the COVID crisis.

So in summary there is not likely to be any change in Bank Rate in 20/21 – 21/22 due to whatever outcome there is from the trade negotiations and while there will probably be some movement in gilt yields / PWLB rates after the deadline date, there will probably be minimal enduring impact beyond the initial reaction.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population. It may also be affected by what, if any, deal the UK agrees as part of Brexit.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **UK** - further national lockdowns or severe regional restrictions in major conurbations during 2021.
- **UK / EU trade negotiations** – if they were to cause significant economic disruption and downturn in the rate of growth.
- **UK government** takes too much action too quickly to raise taxation or introduce austerity measures that depress demand in the economy.
- **UK - Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next year or so. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. In November, Hungary and Poland threatened to veto the 7 year EU budget due to the inclusion of a rule of law requirement that poses major challenges to both countries. There has also been a rise in anti-immigration sentiment in Germany and France.

- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **UK -** a significant rise in inflationary pressures. These could be caused by an uncooperative Brexit deal or by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population which leads to a resumption of normal life and a return to full economic activity across all sectors of the economy.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a rapid series of increases in Bank Rate to stifle inflation.

Post-Brexit – if a positive agreement was reached that removed the majority of threats of economic disruption between the EU and the UK.

Appendix C

Benchmarking and Monitoring Security, Liquidity and Yield in the Investment Service.

1. These benchmarks are targets and so may be exceeded from time to time. Any variation will be reported, along with supporting reasons, in the Annual Treasury Report.

2. **Yield**.

The local benchmark currently used to assess the performance of cash investments is the level of returns contrasted against the London Interbank Bid (LIBID) three-month rate. This is the interest rate a bank would be willing to pay to borrow from another bank for three months.
Property related investments are benchmarked against the IPD Balanced Property Unit Trust Index.

3. **Liquidity**.

Liquidity is defined as the council "having adequate, though not excessive, cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives" (CIPFA Treasury Management Code of Practice).

4. In respect of this area, the council shall seek to:

- maintain a minimal balance held in the council's main bank account at the close of each working day. Transfers to the councils call accounts, MMF and investments will be arranged in order to achieve this, while maintaining access to adequate working capital at short notice.

- use the authorised bank overdraft facility or short term borrowing where there is clear business case for doing so, to cover working capital requirements at short notice

5. **Security of the investments**.

In the context of benchmarking, assessing security is very much more a subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody's and Standard and Poor's). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy. The table beneath shows average defaults for differing periods of investment grade products for each Fitch long term rating category over the last 20-30 years.

Average defaults for differing periods of investment

Long term rating	1 year	2 years	3 years	4 years	5 years
AA	0.04%	0.10%	0.18%	0.27%	0.36%
A	0.05%	0.15%	0.28%	0.42%	0.59%
BBB	0.16%	0.44%	0.77%	1.15%	1.55%

6. The council's minimum long term (i.e. plus 365 day duration) rating criteria is currently "A-". For comparison, the average expectation of default for a two year investment in a counterparty with an "A" long term rating would be 0.15 per cent of the total investment (e.g. for a £1m investment the average loss would be £1,500). **This is an average** - any specific counterparty loss is likely to be higher. These figures act as a proxy benchmark for risk across the portfolio.

Appendix D

Explanation of Prudential and Treasury Indicators

Prudential borrowing permits local government organisations to borrow to fund capital spending plans provided they could demonstrate their affordability. Prudential indicators are the means to demonstrate affordability.

Authorised limit for external debt – this is the maximum limit for external borrowing. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. This limit is set to allow sufficient headroom for day to day operational management of cash flows.

Operational boundary for external debt – this is set as the more likely amount that may be required for day to day cash flow.

Upper limit for fixed and variable interest rate exposure – these limits allow the council flexibility in its investment and borrowing options.

Upper limit for total principal sums invested for over 365 days – the amount it is considered can be prudently invested for periods in excess of a year

Appendix E

Treasury Management Practice (TMP) 1 – credit and counterparty risk management

The CLG issued Investment Guidance in 2010, and this forms the structure of the council's policy below.

The key aim of the guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective, the guidance requires this council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. In accordance with the code, the Interim Head of Finance has produced its treasury management practices (TMPs). This part, TMP1(1), covering investment counterparty policy requires approval each year

The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- the strategy guidelines for decision making on investments, particularly non-specified investments.
- the principles to be used to determine the maximum periods for which funds can be committed.
- specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

- UK government Debt Management Agency Deposit Facility (DMADF)
- UK government – treasury stock (Gilts) with less than one year to maturity
- Supranational bonds of less than one year's duration
- Deposits with UK local authorities
- Pooled investment vehicles such as Money Market Funds (MMF) (AAA rated)
- Deposits with banks and building societies (minimum F1/A-)

- Certificates of deposits issued by banks and building societies (minimum rating as above) covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's and / or Fitch rating agencies.

Within these bodies, and in accordance with the Code, the council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are as stated in table 6 to this report.

Non-specified investments
These are any other type of investment (i.e. not defined or specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are as set out in Table 6.

Implementation in 2018/19
In December 2017, CIPFA issued a revised Treasury Management Code of Practice and a revised Prudential Code. These revisions have particularly focused on non-treasury investments and especially on the purchase of property with a view to generating income. Such purchases could involve undertaking external borrowing to raise the cash to finance these purchases, or the use of existing cash balances.

The 2017 CIPFA Code of Practice on Treasury Management abolished the treasury indicators on limits for fixed and variable rate exposure. However, this was on the basis that authorities would explain in words how they control interest rate risk.

IFRS 9
Risk management will need to take account of the 2018/19 Accounting Code of Practice proposals for the valuation of investments. Key considerations are:

- Expected credit loss model. Whilst this should not be material for ordinary treasury investments such as bank deposits, this is likely to be challenging for some funds e.g. property funds, (and also for non-treasury management investments dealt with in the capital strategy e.g. longer dated service investments, loans to third parties or loans to subsidiaries).
- The valuation of investments previously valued under the available for sale category e.g. equity related to the "commercialism" agenda, property funds, equity funds and similar, will be changed to Fair Value through the Profit and Loss (FVPL).

Following the consultation undertaken by the Ministry of Housing, Communities and Local Government, [MHCLG], on IFRS9 the Government has introduced a mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds. This will be effective from 1 April 2018. The statutory override applies for five years from this date. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.

Appendix F

Extension to the specific responsibilities of the S151 officer as per the Treasury Management code

The below list of specific responsibilities of the S151 officer in the 2017 Treasury Management Code has not changed. However, implicit in the changes in both codes, is a major extension of the functions of this role, especially in respect of non-financial investments, (which CIPFA has defined as being part of treasury management);

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe.
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following
    - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*
    - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*
    - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*
    - *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*

- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

Appendix G

GLOSSARY OF TERMS

Authorised Limit	The maximum amount of external debt at any one time in the financial year.
Basis Point (BP)	1/100th of 1%, i.e. 0.01%
Base Rate	Minimum lending rate of a bank or financial institution in the UK.
Benchmark	A measure against which the investment policy or performance of a fund manager can be compared.
Bill of Exchange	A financial instrument financing trade.
Callable Deposit	A deposit placed with a bank or building society at a set rate for a set amount of time. However, the borrower has the right to repay the funds on pre-agreed dates, before maturity. This decision is based on how market rates have moved since the deal was agreed. If rates have fallen the likelihood of the deposit being repaid rises, as cheaper money can be found by the borrower.
Cash Fund Management	Fund management is the management of an investment portfolio of cash on behalf of a private client or an institution, the receipts and distribution of dividends and interest, and all other administrative work in connection with the portfolio.
Certificate of Deposit (CD)	Evidence of a deposit with a specified bank or building society repayable on a fixed date. They are negotiable instruments and have a secondary market; therefore, the holder of a CD is able to sell it to a third party before the maturity of the CD.
Commercial Paper	Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations and other borrowers. Such instruments are unsecured and usually discounted, although some may be interest bearing.
Corporate Bond	Strictly speaking, corporate bonds are those issued by companies. However, the term is used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
Counterparty	Another (or the other) party to an agreement or other market contract (e.g. lender/borrower/writer of a swap/etc.)
CDS	Credit Default Swap – a swap designed to transfer the credit exposure of fixed income products between parties. The buyer of a credit swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the product. By doing this, the risk of default is transferred from the holder of the fixed income security to the seller of the swap.
CFR	Capital Financing Requirement.
CIPFA	Chartered Institute of Public Finance and Accountancy.
CLG	Department for Communities and Local Government.
Derivative	A contract whose value is based on the performance of an underlying financial asset, index or other investment, e.g. an option is a derivative because its value changes in relation to the performance of an underlying stock.
DMADF	Deposit Account offered by the Debt Management Office, guaranteed by the UK government.

ECB	European Central Bank – sets the central interest rates in the EMU area. The ECB determines the targets itself for its interest rate setting policy; this is the keep inflation within a band of 0 to 2 per cent. It does not accept that monetary policy is to be used to manage fluctuations in unemployment and growth caused by the business cycle.
Enhanced Cash Funds	A pooled investment fund. Longer dated investment than a MMF and, unlike a MMF, enhanced cash funds have variable asset value. Assets are marked to market on a daily basis and the unit prices vary accordingly. Investments can be withdrawn on a notice basis (the length of which depends on the fund) although such funds would typically be used for investments of 3 to 6 month duration.
Equity	A share in a company with limited liability. It generally enables the holder to share in the profitability of the company through dividend payments and capital gain.
Forward Deal	The act of agreeing today to deposit funds with an institution for an agreed time limit, on an agreed future date, at an agreed rate.
Forward Deposits	Same as forward dealing (above).
Fiscal Policy	The government policy on taxation and welfare payments.
GDP	Gross Domestic Product.
Gilt	Registered British government securities giving the investor an absolute commitment from the government to honour the debt that those securities represent.
Mark to Market Accounting	Accounting on the basis of the “fair value” of an asset or liability, based on the current market price. As a result, values will change with market conditions.
Minimum Revenue Provision	This is a prudent sum set aside each year to offset the principal repayment of any loan to smooth the impact on the local taxpayer.
Money Market Fund	A well rated, highly diversified pooled investment vehicle whose assets mainly comprise of short-term instruments. It is very similar to a unit trust, however a MMF relies on loans to companies rather than share holdings.
Monetary Policy Committee (MPC)	Government body that sets the bank rate (commonly referred to as being base rate). Their primary target is to keep inflation within plus or minus 1 per cent of a central target of 2.5 per cent in two years’ time from the date of the monthly meeting of the committee. Their secondary target is to support the government in maintaining high and stable levels of growth and employment.
Non-UCITS Retail Scheme (NURS) –	Undertakings for collective investments are funds authorised to be sold in the UK that are required to meet standards set by the UK services regulator. An example is property funds.
Operational Boundary	The most likely, prudent but not worst-case scenario of external debt at any one time.
Other Bonds	Pooled funds investing in a wide range of bonds.
PWLB	Public Works Loan Board.
QE	Quantitative Easing.
Retail Price Index	Measurement of the monthly change in the average level of prices at the retail level weighted by the average expenditure pattern of the average person.

Sovereign Issues (Ex UK Gilts)	Bonds issued or guaranteed by nation states, but excluding UK government bonds.
Supranational Bonds	Bonds issued by supranational bodies, e.g. European Investment Bank. The bonds – also known as Multilateral Development Bank bonds – are generally AAA rated and behave similarly to gilts, but pay a higher yield ("spread") given their relative illiquidity when compared with gilts.
Treasury Bill	Treasury bills are short-term debt instruments issued by the UK or other governments. They provide a return to the investor by virtue of being issued at a discount to their final redemption value.

Audit and Governance Work Programme

containing Joint Audit and Governance Committee work to be undertaken
JANUARY TO MARCH 2021

South Oxfordshire District Council
Listening Learning Leading

Vale of White Horse District Council

What is the work programme?

The Audit and Governance Work Programme belongs to South Oxfordshire District Council's and Vale of White Horse District Council's Joint Audit and Governance Committee and sets out a schedule of work for the period shown above. It is a rolling plan, subject to change at each committee meeting; however, the councils may allocate additional work without notice.

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Internal audit activity report - Third quarter 2020/21	Joint Audit and Governance Committee 26 Jan 2021	Richard Green richard.green@southandvale.gov.uk	The council audits its services through the internal audit service in line with the approved internal audit plan 2020/21. The report will summarise the outcomes of recent internal audit activity for the committee to consider.	The committee is asked to review the report and main issues arising and seek assurance that action has been or will be taken where necessary.	This is a recurring agenda item and is updated at each meeting.

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Internal audit management report - Third quarter 2020/21	Joint Audit and Governance Committee 26 Jan 2021	Richard Green richard.green@southandvale.gov.uk	The committee monitors the effectiveness of internal audit each quarter against the approved audit plan.	To report on management issues, summarise progress against the audit plan, and summarise priorities.	This is a recurring agenda item and is updated at each meeting.
Risk management	Joint Audit and Governance Committee 26 Jan 2021	Yvonne Cutler-Greaves yvonne.cutlergreaves@southandvale.gov.uk	The committee agreed to receive regular progress reports on the implementation of the risk management framework.	To review and comment on progress.	
Health and safety	Joint Audit and Governance Committee 26 Jan 2021	Sally Truman sally.truman@southandvale.gov.uk	The committee agreed to receive regular progress reports on health and safety.	To review and comment on progress.	
Treasury management and investment strategy 2021/22	Joint Audit and Governance Committee 26 Jan 2021	Simon Hewings simon.hewings@southandvale.gov.uk	The committee is responsible for the scrutiny of the councils' treasury management activity and to propose a strategy to both Councils, via their Cabinets, for the management of this function in the forthcoming year.	To scrutinise the treasury management strategies and policies and if required, make recommendations for amendment to both Cabinets.	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Internal audit activity report - fourth quarter 2020/21	Joint Audit and Governance Committee 15 Mar 2021	Richard Green richard.green@southandvale.gov.uk	The council audits its services through the internal audit service in line with the approved internal audit plan 2020/21. The report will summarise the outcomes of recent internal audit activity for the committee to consider.	The committee is asked to review the report and the main issues arising and seek assurance that action has been or will be taken where necessary.	This is a recurring agenda item and is updated at each meeting.
Internal audit management report - fourth quarter 2020/21	Joint Audit and Governance Committee 15 Mar 2021	Richard Green richard.green@southandvale.gov.uk	The committee monitors the effectiveness of internal audit each quarter against the approved audit plan.	To report on management issues, summarise progress against the audit plan, and summarise priorities.	This is a recurring agenda item and is updated at each meeting.
Statement of accounts 2019/20	Joint Audit and Governance Committee 15 Mar 2021	Simon Hewings simon.hewings@southandvale.gov.uk	Each year the committee must approve each council's statement of accounts and ensure that they comply with the requirements of accounting practice.	The committee is asked to approve each council's statement of accounts and supporting documents for final sign-off by the committee's co-chairs and the councils' external auditor.	The requirement to approve the statement of accounts has been delayed in 2020 due to the Covid-19 pandemic.
Internal audit plan 2021/22	Joint Audit and Governance Committee 15 Mar 2021	Richard Green richard.green@southandvale.gov.uk	The council audits its services through its internal audit service.	To approve the internal audit plan for 2021/22.	