

Public Document Pack

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 5 January 2022 commencing at 2.00 pm and finishing at 4.45 pm

Present:

Voting Members: Councillor Roz Smith – in the Chair
Councillor Brad Baines (Deputy Chair)
Councillor Donna Ford
Councillor Nick Leverton
Councillor Dan Levy
Councillor Ian Middleton
Councillor Michael O'Connor
Councillor Judy Roberts

Non-voting Members: Dr Geoff Jones

Other Members in Attendance: None

By Invitation: None

Officers:

Whole of meeting Lorna Baxter, Director of Finance
Sarah Cox, Chief Internal Auditor
Anita Bradley, Director of Law and Governance

Part of meeting

Agenda Item	Officer Attending
Item 5/22	Tim Chapple, Treasury Manager
Item 7/22	Keith Stenning, Community Operations Tessa Clayton, Audit Manager Lucie Maycock, Customer & Culture
Item 8/22	Melissa Sage, Head of Procurement Contract Management

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with [a schedule of addenda tabled at the meeting] [the following additional documents:] and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports [agenda, reports, and schedule/additional documents], copies of which are attached to the signed Minutes.

1/22 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies were received from Councillor Ted Fenton and from Councillor Jane Murphy who was to have substituted for Councillor Fenton.

2/22 DECLARATION OF INTERESTS

(Agenda No. 2)

There were no Declarations of Interest.

3/22 MINUTES

(Agenda No. 3)

The minutes of the meeting of the Audit & Governance Committee of 17 November 2021 were agreed and the Chair was authorised to sign them as a correct record.

Actions

The following actions as set out in the minutes were noted –

Item 72/21 Update on Closure of Accounts 2021/22: The Director of Finance to circulate to Members of the Committee the value of non-current assets.

Item 75/21 Counter Fraud Update: The Director of Finance -

(a) Had circulated to Members of the Committee information comparing the number of fraud cases referred by Oxfordshire County Council to the Police for investigation with the number of cases submitted by other local authorities to the Police for investigation.

(b) A training session for Members of the Committee in relation to fraud cases, including definitions, terminology, and analysis of current fraud cases, had been included in the proposed Workshops Programme.

4/22 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

No petitions had been received and there had been no requests by Members of the Public to address the Committee.

5/22 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2022/23

(Agenda No. 5)

The Committee considered a report setting out proposed changes to the Treasury Management Strategy which would be referred to Council for approval, along with a recommendation that the Director of Finance, in consultation with the Leader of the Council and the Cabinet Member for Finance, be granted the necessary delegated authority in accordance with the proposed changes.

It was recommended that the Audit & Governance Committee endorse the Treasury Management Strategy for 2022/23 as outlined in the report.

Tim Chapple, Treasury Manager, presented the report.

In the subsequent discussion, the following points were raised.

- (a) The Chair noted that, in Paragraph 8 of the report, it stated that the introduction of a “Liability Benchmark” was set out in Paragraph 50 of the report. This was, in fact, set out in Paragraphs 51 *et seq.* of the report [under the subheading “Liability Benchmark”].
- (b) Regarding the “Changes from 2021/22 Strategy” (Paragraph 7 of the report), it was proposed that, following a review of the balance sheets for the current year, the long-term lending limit for 2021/2023 be increased from £185 million to £205 million.
- (c) While noting LIBOR, it had not previously been used by the Council as a financial benchmark, and that officers now referred to the Sterling Overnight Index Average (SONIA) as a benchmark for measuring performance.
- (d) If, under a LOBO (Lender Option Borrower Option) agreement, the lender chose to increase the rates under the loan agreement, the Council would repay the loan and seek alternative funding at a lower rate.
- (e) The proposed changes in the 2021-2023 strategy were based on projections of average cash balances over the medium term with just under £50 million retained for long-term investments.
- (f) Regarding the Oxfordshire County Council Liability Benchmark 2022/23 [Page 18 of the agenda pack], this reflected the Council’s Capital Financing Requirement minus Minimum Revenue provision. The Council’s Capital Programme was based on consecutive five-year programmes, the first of which, unlike the subsequent five-year programme, could be profiled with a degree of accuracy.
- (g) **Paragraph 16 “Forecast Treasury Portfolio Position”:** The “Average In-House Cash” i.e., net position, referred to in the table in Paragraph 16 included earmarked reserves; capital & development contributions; general balances; internal borrowing; adjustments for working capital; and deferred income, from which the average in-house cash position could be calculated.
- (h) **Paragraphs 22 & 100: Geopolitical Risks and Carbon Commitment:** As a lender, the Council’s portfolio was primarily with other local authorities. In April of this year the Council would review its Environmental, Social and Governance (ESG) strategy in accordance with revised CIPFA Code of Practice. The ESG strategy would, in turn, be incorporated into the Treasury Management Strategy.
- (i) **Paragraph 29 Prudential Borrowing:** Prudential Borrowing was a term of art used to describe borrowing that “paid for itself”.
- (j) **Paragraph 33 *et seq.* OxLEP Ltd:** The Council borrowed money on behalf of the LEP from the Enterprise Zone Business Rate which was collected by South Oxfordshire District Council on behalf of the Enterprise Zone thereby limiting the risk to the Council.

The Chair proposed, and it was **agreed**, that a briefing for Members be provided with information about OxLEP Ltd and the Council's role as the accountable body for OxLEP Ltd.

ACTION: Director of Finance to include a briefing on OxLEP Ltd. in the Programme of Workshops, and to invite Nigel Tipple, Chief Executive, OxLEP Ltd. to the briefing.

- (k) **Paragraph 30 et seq. Internal Borrowing:** There were risks attached to internal borrowing as it entailed using short-term cash flow to fund longer term projects. Accordingly, internal borrowing was constantly monitored.
- (l) **Paragraphs 93 & 94 Investment Training:** Regarding whether it was appropriate to allow persons with one year's relevant professional experience to make investment decisions on behalf of the authority, it was noted that this was in accordance with the Markets in Financial Instruments Directive (2004/39/EC) (MiFID). Given the experience within the Council's Treasury Management team, officers were satisfied with the requirements of MiFID.
- (m) **Paragraph 100 Carbon Commitment:** Consideration also had to be given to investments that may have a negative impact on the Council's carbon commitment.
- (n) **Oxfordshire County Council as Lender:** It was within the Council's statutory powers to lend to other local authorities. Although the loans were unsecured, there was a tacit agreement with central government that, should a local authority default on loan repayments, there would be ways in which any outstanding monies could be recovered.
- (o) **Paragraph 104:** Before lending to another authority, the Council carried out due diligence to ensure that it was appropriate, within the context of the Council's policies and strategies, to lend money to that authority.

RESOLVED: To endorse the Treasury Management Strategy for 2022/23 as outlined in the report.

6/22 FINANCIAL MANAGEMENT CODE - SUMMARY COMPLIANCE ASSESSMENT

(Agenda No. 6)

The Committee considered a report of the Director of Finance recommending that the Committee endorse the Assessment of Compliance against the Financial Management Code for 2021/22.

The report was presented by Lorna Baxter, Director of Finance.

In the subsequent discussion, the following points were raised in relation to Annex 1 "Financial Management Code of Practice – Summary Compliance Assessment 2021/22"

- (a) **Reference: 1. CIPFA Financial Management Standards**

1A: There was no requirement to report to Cabinet and/or Council regarding Value for Money (VfM).

Services used benchmarking to inform opportunities to improve VfM and it was proposed that processes be put in place to improve the benchmarking system.

(b) Reference: 5. Stakeholder Engagement and Business Plans

5L: This was a new priority for the Council, and it was proposed that feedback from Engagement & Consultation would be used to inform the development of the Council's Strategic Plan.

(c) Each of the following references stated it was proposed further to develop the Business Management & Monitoring Report.

- **Ref. 2. Governance and Financial Management Style: Row E**
- **Ref. 3. Long to Medium-Term Financial Management: Row I**
- **Ref. 6. Monitoring Financial Performance: Row O**

The Director of Finance noted that the detail of how this was to be achieved was set out in the report and that Annex 1 extrapolated the key issues. It was proposed to improve the alignment of this information with budget information once the Strategic Plan had been agreed by Council.

(d) Reference: 6. Monitoring Financial Performance

6N: It was proposed that the Quarterly Capital Programme report, which was owned by Finance, and which focused on the money, should also include information on delivery of services and outcomes.

(e) Reference: 2. Governance and Financial Management Style

2D: The Director of Law & Governance stated that the updated Local Code of Governance had been finalised and would be submitted to the Committee.

RESOLVED: To endorse the Assessment of Compliance against the Financial Management Code for 2021/22.

7/22 INTERNAL AUDIT PLAN - PROGRESS REPORT

(Agenda No. 7)

The Committee considered a report by the Director of Finance updating the Committee on the Internal Audit Service, including resources, and completed and planned audits.

It was recommended that the Committee –

- (a) Note the progress with the 2021/22 Internal Audit Plan and the outcome of the completed audits; and
- (b) Note the Blue Badge Enforcement Strategy.

Sarah Cox, Chief Internal Auditor, presented the report.

In the subsequent discussion, the following points were raised.

- (a) Regarding Appendix 1, 2021/22 Internal Audit Plan – Progress Report: Environment & Place (Page 49), a new system to ensure the accuracy of payments had been implemented and it was for this reason that the Highways Contract Management Audit would start in Q4.
- (b) The Red Flag next to GDPR: Information Audit (Pages 57 & 58) reflected weaknesses in the Asset Register Information which had now been addressed with officers looking at ways in which this might be improved.
- (c) Keith Stenning, Community Operations, Oxfordshire County Council, provided information on the agency agreement between Oxfordshire County Council and West Oxfordshire District Council for the implementation, operation, and enforcement of the Blue Badge scheme.
- (d) PCI-DSS 2021/22 (Pages 61 – 63): The Chair proposed this was a topic that could be referred to the Audit Working Group (AWG).

Sarah Cox, Chief Internal Auditor, noted the complexities of PCI issues but stated that officers were satisfied that the Green and Amber RAG ratings were appropriate.

ACTION: Director of Finance to refer PCI-DSS 2021/22 to the AWG for review.

- (e) In response to questions about the misuse of Blue Badges on private land and the time spent on enforcement of the Blue Badge scheme compared with other local authorities, Mr Stenning noted that the Council had no enforcement powers on private land and enforcement in City Council car parks was determined by the arrangements between the County Council and the respective District Councils.

Regarding the time allocated to enforcement of the scheme, Tessa Clayton, Audit Manager, Oxfordshire County Council, stated that it varied considerably how much time individual local authorities spent on Blue Badge enforcement. Ms Clayton stated that officers were satisfied that the amount of time Oxfordshire County Council spent on enforcement was proportionate and would be reassessed, if necessary. She noted that time spent by Oxfordshire County Council on enforcement was about average when compared with other local authorities.

- (f) Environment & Place Capital Programme – Major Infrastructure (Page 51): Ms Baxter, Director of Finance, stated the 2021/22 internal audit had been deferred while a fundamental review took place and that this would be reviewed as part of the 2022/23 audit planning process.
- (g) Mr Stenning apprised the Members of the enforcement process in relation to blue badges and the Key Performance Indicators (KPIs) used to measure enforcement performance.

ACTION: Director of Finance to provide Members with copies of the Blue Badge scheme KPIs.

- (h) Officers reported on the misuse of Blue Badges either with or without the knowledge of the Blue Badge holder and the implications, thereof.
- (i) **Fleet Management (Compliance) 2021/22:** Ms Cox updated the Committee on the Fleet Management Review and the measures that were being put in place to address concerns that had been identified.

The Chair proposed it would be appropriate for an update report on Fleet Management Compliance to be sent to the Audit Working Group.

ACTION: Director of Finance to submit a report to the Audit Working Group (AWG) updating it on progress of the Fleet Management Review.

- (j) Revocation of Blue Badges: officers informed Members of the Committee about the policies and procedures for revoking Blue Badges.
- (k) **Blue Badges and ANPR¹ Enforcement:** Mr Stenning and Lucie Maycock, Customer & Culture, Oxfordshire County Council, advised Members that Blue Badges were not registered to specific vehicles, and the implications this had for enforcement and penalty notices in relation to the Blue Badge scheme.

RESOLVED: to –

- (a) Note the progress with the 2021/22 Internal Audit Plan and the outcome of the completed audits; and
- (b) Note the Blue Badge Enforcement Strategy.

8/22 PROVISION CYCLE IMPLEMENTATION UPDATE

(Agenda No. 8)

The Committee considered a report of the Director for Law & Governance updating the Committee on the progress of the Procurement Hub since the recent transformation activities.

It was recommended that the Committee –

- (a) Note the update and improvements made to the Procurement Hub in the last year since the restructure; and
- (b) Endorse and confirm completion of the Action Plan as detailed in Annex 1. Team

Anita Bradley, Director for Law & Governance, and Melissa Sage, Head of Procurement Contract Management, presented the report.

In the subsequent discussion, the following points were raised.

- (a) The Chair referred to the following matters –
 - That she would like to see a copy of the Procurement Handbook (“the Handbook”), referred to in Paragraphs 7 & 8 of the report;
 - That the Handbook be referred to the Audit Working Group to review the recommendations of PWC when asked to design the Handbook and what had been omitted from the present version of the Handbook;
 - Publication of the Government’s procurement proposals [in response to Brexit].

¹ Automatic Number Plate Recognition

Ms Sage stated that a government Green Paper² had been published last year on public procurement and that the consultation on the proposals set out in the Green Paper had now concluded, but that there would be no further developments before April 2023.

- (b) The Handbook was a live document that would evolve and be updated as necessary.
- (c) **Governance, Delegations & Decision-Making, Including Key Decisions (Governance Review)**: involving sums of £1 million or more (Page 82) would be taken in consultation with Members.

Decisions regarding the delegation of authority to officers were included in the Constitutional Review which would be submitted to Council. The Chair asked that Members refer any comments they might have on this subject to the Constitutional Review Working Party.

- (d) Regarding challenges to the procurement process (Page 74, Paragraph 10), Ms Sage confirmed that, other than some letters of enquiry about processes and procedures, there had been no challenges.
- (e) **Annex 1 Management Action Plan (Page 83), Row 5 “Briefing of Portfolio Holders (interface with Members)**: regarding the reference to “Portfolio Holder/Director briefing protocol to be agreed”, under the heading “Activity”, Ms Bradley stated that this was not a written protocol but rather a reflection of the provisions and expectations set out in the Council’s Constitution.
- (f) Ms Sage noted that the Procurement Handbook was an operational manual for Procurement officers and did not detail schemes of delegation which were set out elsewhere.
- (g) A report on the Social Value Policy (Paragraph 13) would be submitted to Cabinet in February and a report on the Council’s Procurement policy would be submitted to Council in the next few months. Accordingly, the Procurement Handbook and the Social Value Policy would be incorporated into that report.

Once a First Draft of the Procurement Policy report had been prepared, Members would be invited to comment on the draft report. Regarding the Social Value Policy, the relevant Portfolio Holder had been consulted on the content of this policy.

- (h) Regarding the use of the word “accountable” in relation to officers (Page 81), Ms Bradley stated that this referred to accountability of officers to Members, and to their Service Directorate, and not to a financial liability on the part of officers.

RESOLVED: to –

- (a) Note the update and improvements made to the Procurement Hub in the last year since the restructure; and
- (b) Endorse and confirm completion of the Action Plan as detailed in Annex 1.

² [Transforming Public Procurement](#)

The Committee considered a report by the Director of Law and Governance and Monitoring Officer updating the Committee on the Review of the Council's Constitution, and the work of the Constitution Review Working Group.

It was recommended that the Committee note the –

- (a) Progress made to date with the Constitution Review;
- (b) Concerns of the Constitution Review Working Group around delivery of a new Constitution by the end of March 2022; and
- (c) The proposal to extend the deadline [for delivery of a new Constitution] until 31 July 2022.

Anita Bradley, Director of Law and Governance, presented the report.

In the subsequent discussion, the following points were raised.

- (a) There were statutory provisions relating to local authority constitutions. However, it was proposed that the constitution should reflect the local authority and, therefore, officers were consulting with Members of the Constitution Review Working Group on the appropriate style and content for Oxfordshire County Council's Constitution. In so doing, Members were being shown several examples of local authority constitutions.
- (b) To resolve any anomalies and inconsistencies that might emerge because of the drafting process, Ms Bradley proposed that she be given delegated authority to resolve any anomalies and inconsistencies.

RESOLVED: To –

- (a) Approve the report's recommendations; and
- (b) The proposal that the Director of Law & Governance be granted the necessary delegated authority to reconcile any anomalies and contradictions that might arise because of redrafting the Council's constitution.

10/22 APPOINTMENT OF INDEPENDENT PERSONS

(Agenda No. 10)

The Committee considered a report by the Director of Law and Governance and Monitoring Officer recommending that the Committee approve the proposed approach for recruiting and appointing two Independent Co-opted Members to the Committee, as set out in the report.

Anita Bradley, Director of Law and Governance, presented the report, noting that the report referred to the Redmond Review published in 2020 on the arrangements in place to support the transparency and quality of Local Authority Financial reporting.

In the subsequent discussion, the following points were raised.

- (a) Local authorities who had not appointed Independent Members were now addressing this issue in response to the Redmond review and CIPFA guidelines.
- (b) Given the complexity of the recruitment exercise, it was proposed that the Council should advertise for the appointment of two Independent Members.
- (c) Officers were of the view that it was appropriate to appoint two Independent Members as to appoint more may result in a dilution of the duties and responsibilities of Committee Members.
- (d) Staggering appointments would afford the opportunity to retain the knowledge and experience of the current Independent Member, Dr Jones, should he wish to stand for reappointment, while providing continuity when appointments ended.
- (e) It would be advantageous to appoint an Independent Member who had no connections with the County Council or the District Councils.
- (f) It was recommended Best Practice that, to retain the independent perspective and willingness to challenge norms that an Independent Co-opted Member brought to their role, Independent Members should not be allowed to remain in post for so long that they lost their "independence".
- (g) It would make sense to retain the experience of the current Independent Member, while recruiting a new Independent Member for the reasons set out in the Best Practice guidelines.
- (h) In response to a proposal by the Chair, Ms Bradley confirmed that, as the Monitoring Officer, both she and Ms Baxter, as the Section 151 Officer, had no objection to any appointment as an Independent Member being for a period of four years to allow the Independent Member(s) sufficient time to develop knowledge and experience of the role such that they could make a meaningful contribution to the work of the Committee.
- (i) Once an initial recruitment exercise had been carried out, officers could report back to the Committee on the response to the recruitment exercise and on more detailed matters such as the recommended terms of any appointment.
- (j) It may be preferable to appoint any Independent Member(s) for a period of two years, subject to possible extension of the term of office, to determine if they were competent in their role as an Independent Member(s).
- (k) Subject to confirmation, it was understood that Dr Jones's term of office as the Committee's Co-opted Independent Member expired in May of this year.
- (l) It was for the Committee to determine the number of years of any appointment and whether it would wish to reappoint Dr Jones should Dr Jones wish to reapply.
- (m) It was confirmed that Dr Jones had been an Independent Co-opted Member of the Committee for over 15 years.
- (n) It was noted that Cherwell District Council was also appointing an Independent Co-opted Member and that, to optimise the independence of the Independent Co-opted Member, this should not be the same person for both authorities.

RESOLVED: to approve the proposed approach for recruiting and appointing two Independent Co-opted Members to the Committee.

11/22 AUDIT WORKING GROUP REPORT

(Agenda No. 11)

The Committee considered a report by the Director of Finance summarising the proceedings of the Audit Working Group (AWG) meeting on 15 December 2021. It was recommended that the Committee note the report. The report was presented by Dr Geoff Jones, Chair of the AWG.

In the ensuing discussion, it was noted that it had been proposed that the HF1 Didcot Infrastructure and A40 HIF2 Smart Corridor projects, which had been discussed at the last meeting of the AWG, be given further consideration by the AWG at a meeting to be convened before the end of January.

ACTION: The Chair, DLG & Finance Officers to canvass for a suitable date for a meeting of the AWG in January 2022.

RESOLVED: To note the report.

12/22 WORK PROGRAMME 2021/22

(Agenda No. 12)

The Committee considered the Audit & Governance Committee Work Programme 2021/2022. The programme was presented by Sara Cox, Chief Internal Auditor. It was noted that, attached to the report was a Draft Audit & Governance Committee 2022 Training & Briefing Programme.

Regarding the Training & Briefing Programme, which had been aligned with the Committee meeting dates, Ms Cox raised the issue of when Members might wish to undertake their self-assessment exercise in accordance with the CIPFA guidelines for Audit Committee Members. Once this was known, a suitable date would be added to the Audit & Governance Committee calendar.

It was noted that the Local Code of Corporate Governance report (see Item 6/22(e) above) would be submitted to the next meeting of the Committee on 16 March 2022.

NOTED

..... in the Chair

Date of signing

This page is intentionally left blank