



To: Members of the Audit & Governance Committee

***Notice of a Meeting of the
Audit & Governance Committee***

Wednesday, 15 January 2025 at 1.00 pm

Room 2&3 - County Hall, New Road, Oxford OX1 1ND

If you wish to view proceedings, please click on this [Live Stream Link](#)
Please note, that will not allow you to participate in the meeting.

Martin Reeves
Chief Executive

January 2025

Committee Officers: Committee Services
Email: committees.democraticservices@oxfordshire.gov.uk

Membership

Chair – Councillor Ted Fenton
Deputy Chair - Councillor Roz Smith

Councillors

Yvonne Constance OBE
Jenny Hannaby
Charlie Hicks

Bob Johnston
Nick Leverton
Ian Middleton

Glynis Phillips

Co-optee

Dr Geoff Jones

Notes:

- ***Date of next meeting: 12 March 2025***



AGENDA

- 1. Apologies for Absence and Temporary Appointments**
- 2. Declaration of Interests - see guidance note**
- 3. Minutes (Pages 1 - 10)**

To approve the minutes of the meeting held on 27 November 2024 (**AG3**) and to receive information arising from them.

4. Petitions and Public Address

Members of the public who wish to speak at this meeting can attend the meeting in person or 'virtually' through an online connection.

To facilitate 'hybrid' meetings we are asking that requests to speak or present a petition are submitted by no later than 9am four working days before the meeting. Requests to speak should be sent to committeesdemocraticservices@oxfordshire.gov.uk

If you are speaking 'virtually', you may submit a written statement of your presentation to ensure that your views are taken into account. A written copy of your statement can be provided no later than 9am 2 working days before the meeting. Written submissions should be no longer than 1 A4 sheet.

5. Highways Contract Arrangements (Pages 11 - 36)

Report by Director of Environment and Highways

The existing highway maintenance contract with M-Group Infrastructure (Milestone) is set to expire on 31 March 2025 with no options to extend. Following Cabinet approval in October 2023, officers were instructed to prepare and commence the procurement of a new highway maintenance contract to start on 1st April 2025 (following a mobilisation period) for 8 years with options for two 3-year extensions (14-year potential contract length).

The Audit & Governance Committee is RECOMMENDED to

- a) Note the governance in place and associated activities to enable the successful transition from the existing to new highways maintenance contract due to commence on 1st April 2025.**

6. Treasury Management Strategy Statement and Annual Investment Strategy for 2025/26 (Pages 37 - 56)

Report by Executive Director of Resources & Section 151 Officer

The Treasury Management Strategy & Annual Investment Strategy for 2025/26 outlines the council's strategic objectives in terms of its debt and investment management for the financial year 2025/26.

Audit & Governance Committee is RECOMMENDED to endorse the Treasury Management Strategy & Annual Investment 2025/26 as outlined in the report.

7. Annual Governance Statement-Update on Actions (Pages 57 - 60)

Report by the Director of Law & Governance and Monitoring Officer

The Head of Legal and Deputy Monitoring Officer presented an update to Committee on 27 November 2024 on the seven areas of focus identified in the Annual Governance Statement 2023/24 for action in 2024/25. This report to Committee is therefore a report on only those actions where an additional update is required.

The Committee is RECOMMENDED to receive this update on the actions from the Annual Governance Statement 2023/24 and to make any comment upon them.

8. Electoral Fees and Charges April 2025 (Pages 61 - 76)

Report by Director of Law & Governance and Monitoring Officer

The County Returning Officer, Martin Reeves, is responsible for the conduct of the County Council elections and by-elections. The expenditure properly incurred by the Returning Officer is paid by the Council and, as such, a scale of expenses is set as a guide to such expenditure. The scale of expenses set out in the Annex would be applicable to the County Council Elections, which will be held on Thursday, 1 May 2025, as well as any by-elections which may need to be held within the 2025/26 financial year.

The Committee is RECOMMENDED to note the Scale of Election Expenses for the financial year 2025/26, as shown in the Annex to this report, for the election of County Councillors and any other poll associated with the County Council during the year.

9. Consultation - Local Audit Strategy (Pages 77 - 94)

Report by Executive Director Resources and Section 151 Officer

The Government has launched a statement of intent and consultation on their proposals to overhaul the current local audit system in England. In the Annex to this report is a document setting out the six areas identified to be reformed, and the proposed responses to the specific consultation questions posed in each of those six areas.

The Committee is RECOMMENDED to agree to the proposed consultation response outlined in the Annex to this report.

10. Financial Management Code (Pages 95 - 116)

Report by Executive Director of Resources and Section 151 Officer

The Chartered Institute of Public Finance and Accountancy (CIPFA) launched the Financial Management Code of Practice (FM Code) in November 2019. The FM Code was developed on behalf of the then Ministry of Housing, Communities and Local Government (MHCLG), now referred to as the Department for Housing, Communities and Local Government in the context of increasing concerns about the financial resilience and sustainability of local authorities.

The Audit & Governance Committee is RECOMMENDED to

- **Endorse the assessment of compliance against the Financial Management Code for 2024/25 (Annex 1)**

11. Risk Management Update (Pages 117 - 122)

Report by Executive Director of Resources and Section 151 Officer

This report sets out updates to Risk Management and an overview of the latest strategic risk register which contains the Council's most significant risks. The strategic risk register is closely managed by the Council Management Team and reported into the Strategic Leadership Team as part of the Council's Business Management and Monitoring Reports. These combined reports contain performance, risk and finance progress updates against the delivery of the current strategic plan priorities.

The Committee is RECOMMENDED to note the Risk Management Update.

12. Consultation - Strengthening the Standards and Conduct Framework for Local Authorities in England (Pages 123 - 138)

Report by Director of Law and Governance and Monitoring Officer

The Government has launched a consultation regarding the application of standards and conduct in local authorities. The consultation opened on 18 December 2024 and runs for 10 weeks, closing on 26 February 2025. In the Annex to this report is a set of proposed answers to the specific questions which are posed, together with supporting text where appropriate.

The Committee is RECOMMENDED to agree to the proposed consultation response outlined in the Annex

13. Ernst & Young Update (Verbal Report)

A verbal update on the 2023/24 County Council and Pension Fund audits.

14. Internal Audit 2024/25 Progress Report (Pages 139 - 176)

Report by the Executive Director of Resources and Section 151 Officer

This report provides an update on the Internal Audit Service, including resources, completed and planned audits.

The Committee is RECOMMENDED to note the progress with the 2024/25 Internal Audit Plan and the outcome of the completed audits.

15. Extra Meeting and Work Programme (Pages 177 - 178)

The Committee is asked to agree to add a meeting to the 2025/26 schedule as follows:
Wednesday 4 June 2025.

The Committee is invited to note and comment on the work programme

Close of meeting

An explanation of abbreviations and acronyms is available on request from the Chief Internal Auditor.

Councillors declaring interests

General duty

You must declare any disclosable pecuniary interests when the meeting reaches the item on the agenda headed 'Declarations of Interest' or as soon as it becomes apparent to you.

What is a disclosable pecuniary interest?

Disclosable pecuniary interests relate to your employment; sponsorship (i.e. payment for expenses incurred by you in carrying out your duties as a councillor or towards your election expenses); contracts; land in the Council's area; licenses for land in the Council's area; corporate tenancies; and securities. These declarations must be recorded in each councillor's Register of Interests which is publicly available on the Council's website.

Disclosable pecuniary interests that must be declared are not only those of the member her or himself but also those member's spouse, civil partner or person they are living with as husband or wife or as if they were civil partners.

Declaring an interest

Where any matter disclosed in your Register of Interests is being considered at a meeting, you must declare that you have an interest. You should also disclose the nature as well as the existence of the interest. If you have a disclosable pecuniary interest, after having declared it at the meeting you must not participate in discussion or voting on the item and must withdraw from the meeting whilst the matter is discussed.

Members' Code of Conduct and public perception

Even if you do not have a disclosable pecuniary interest in a matter, the Members' Code of Conduct says that a member 'must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself' and that 'you must not place yourself in situations where your honesty and integrity may be questioned'.

Members Code – Other registrable interests

Where a matter arises at a meeting which directly relates to the financial interest or wellbeing of one of your other registerable interests then you must declare an interest. You must not participate in discussion or voting on the item and you must withdraw from the meeting whilst the matter is discussed.

Wellbeing can be described as a condition of contentedness, healthiness and happiness; anything that could be said to affect a person's quality of life, either positively or negatively, is likely to affect their wellbeing.

Other registrable interests include:

- a) Any unpaid directorships

- b) Any body of which you are a member or are in a position of general control or management and to which you are nominated or appointed by your authority.
- c) Any body (i) exercising functions of a public nature (ii) directed to charitable purposes or (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which you are a member or in a position of general control or management.

Members Code – Non-registrable interests

Where a matter arises at a meeting which directly relates to your financial interest or wellbeing (and does not fall under disclosable pecuniary interests), or the financial interest or wellbeing of a relative or close associate, you must declare the interest.

Where a matter arises at a meeting which affects your own financial interest or wellbeing, a financial interest or wellbeing of a relative or close associate or a financial interest or wellbeing of a body included under other registrable interests, then you must declare the interest.

In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied:

Where a matter affects the financial interest or well-being:

- a) to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
- b) a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest.

You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

This page is intentionally left blank

Agenda Item 3

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 27 November 2024 commencing at 1.00pm and finishing at 3:47pm

Present:

Voting Members: Councillor Ted Fenton – in the Chair

Councillor Roz Smith (Deputy Chair)
Councillor Jenny Hannaby
Councillor Charlie Hicks
Councillor Bob Johnston
Councillor Glynis Phillips

Non-Voting Member Dr Geoff Jones

Officers:

Whole of meeting Lorna Baxter (Executive Director of Resources and Section 151 Officer), Paul Grant (Head of Legal and Deputy Monitoring Officer), Sarah Cox (Chief Internal Auditor), Mohamed Cassimjee (Democratic Services Officer)

Part of meeting Ella Stevens (Deputy Chief Accountant), Tim Chappel (Treasury Management), Ian Dyson (Director of Financial and Commercial Services), Matt Schanck (Station Manager), Daisy Hickman (Performance Improvement Manager), Jo Bowcock (Deputy Chief Fire Officer), Stephen Reid (Ernst and Young), Declan Brolly (Counter Fraud Manager), Simon Mathers (Ernst and Young), Kalthiemah Abrahams (Ernst and Young)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting.

71/24 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies received from Councillor Felix Bloomfield, Councillor Nick Leverton and Councillor Ian Middleton.

72/24 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE

(Agenda No. 2)

None.

73/24 MINUTES

(Agenda No. 3)

Resolved: That the minutes of the meeting held on 18 September 2024, were agreed as an accurate record and signed by the Chair subject to amendments

74/24 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

There were none received

75/24 TREASURY MANAGEMENT MID TERM REVIEW 2024/25

(Agenda No. 5)

The Treasury Manager presented the report and indicated the following:

The report measured, the performance for the first half of the year (1 April to 30 September 2024) against the budget agreed by Council in February 2024.

As of 30 September, the council's outstanding debt totalled £279m and the average rate of interest paid on long-term debt during the year was 4.41%. No new external borrowing was arranged during the first half of the year, whilst a £5m LOBO was repaid during the first half of the year.

During the first half of the year the Council achieved an average in-house return of 4.95% on average cash balances of £478.542m, producing gross interest receivable of £11.876m. In relation to external funds, the return for the six months was £1.834m, bringing total investment income to £13.709m. This compared to budgeted investment income of £9.276m, giving a net overachievement of £4.433m.

In response to Members the following was noted:

- Variations in the budget would be reported in the business management report with the last report being submitted to Cabinet.
- The pooled funds refer to the strategic bond funds and property funds, and from an Environmental, Sustainability and Governance (ESG) perspective there was nothing to worry about.
- Based on the forecast it was expected that interest rates were expected to be between 3% to 4 % during 2026. However, this was dependent on inflation levels and outside political factors.
- The repayment of LOBO was £5 million as well as a second repayment of £5 million which fell outside the reporting period was not included in the main report.
- Every LOBO was factored in to be repaid on the call date in the cash flow forecast.

- Regarding the Community Municipal Investments, it was an interesting way to borrow and helped engagement with the public.

Both the Chair and the Deputy Chair complemented the officers on the report.

Resolved that the Committee:

- a) **Noted council's treasury management activity in the first half of 2024/25 and noted the council's treasury management activity in the first half of 2024/25 be noted.**

76/24 ERNST AND YOUNG- UPDATE

(Agenda No. 6)

Stephen Reid, Simon Mathers and Kalthiemah Abrahms presented the reports and indicated the following:

- In terms of the County Council 2023/24 draft audit results report, the backstop date for the 2023/24 period was 28 February 2025. The intention was to therefore to complete the audit on the 2023/2024 financial statements before that backstop date.
- In terms of IFRS 16 (Inherent risk), which was a new accounting standard that deals with leasing, the County Council needed to satisfactorily adopt those standards by 2024/25.
- In terms of the Pensions report 2023/24, the audit was still in progress, and the plan was for the report to be completed in January 2025.
- Any queries that arose regarding complex pensions funds were resolved in consultation with Brunel pension group.
- In terms of the 2022/23 Pension Fund report, the report was brought before the Committee previously.
- In terms of the 2022/23 Audit Completion report, with the government enacting legislation to enact backstop dates, it was anticipated that a disclaimed opinion would be issued on the 2022/2023 financial statements.
- The reset of local government financial reporting was a national and not a specific county issue.
- There were very few outstanding issues following the signed approval of the 2022/23 financial statements for both the pension fund and the County Council and in this regard a disclaimed opinion on the Councils accounts and a clean opinion on the pension fund accounts would be issued by December 2024.

In response to Members the following was noted:

- In terms of amounts that had been paid but not cleared, an exercise is being conducted to ensure that the creditor balances had been settled.
- The matter of the amounts paid but not cleared had also been discussed with the operational finance team at the Integrated Business Centre (IBC) to explore options to address the issue.
- A correction had been made regarding the £8.2 million payable that was paid post year- end but incorrectly cleared against the year-end bank balance.

- There were no material issues regarding the issue of capital adjustment accounts as raised in the report.

Resolved that the Committee:

a) Received the reports

77/24 STATEMENT OF ACCOUNTS 2022/23 AND 2023/24

(Agenda No. 7)

The Executive Director of Resources and Section 151 Officer presented the report supported by the Deputy Chief Accountant and indicated the following:

The unaudited Statement of Accounts 2022/23 was published on the Council's website on 23 January 2024 for public inspection. The report presented the accounts to the Audit & Governance Committee for consideration and approval, with the disclaimed opinion report from Ernst & Young LLP's.

The Accounts and Audit Regulations 2015 also required the Director of Finance to publish the unaudited Statement of Accounts 2023/24 and certify that they give a true and fair view of the County Council's financial position and income and expenditure for the year.

In response to Members the following was noted:

- In response to the 2022/23 accounts, the Statement of Accounts reflected what had been spent for the year.
- In relation to the contingency reserves which had reduced, the figure reflected the amount of the contingency used as compared to the plan.
- In response to the 2022/23 accounts and the contingency reserves, 52% had been used and 48% was left, which was standard practice which had been recommend by Ernst and Young (EY).
- In terms of recommendations F and I, which related to further changes to the Statement of Accounts and Letters of Representation, the words "*advise subsequently the Audit and Governance Committee*" was to be added.
- Furthermore, Members were reassured that any changes made were brought to the attention of the Members of Audit and Governance Committee.

Resolved that the Committee:

- Resolved and approved the Statement of Accounts 2022/23 at Annex 1.**
- Noted the Summary Accounts 2022/23 at Annex 2.**
- Agreed that no changes were required to the Annual Governance Statement 2022/23, previously approved by the Committee on 29 November 2023.**
- Considered and approved the Letter of Representations 2022/23 for the Oxfordshire County Council accounts at Annex 3.**

- (e) Considered and approved the Letter of Representations 2022/23 for the Oxfordshire Pension Fund accounts at Annex 4.
- (f) Agreed that the Executive Director of Resources and Section 151 Officer, in consultation with the Chairman of the Committee (or Deputy Chairman in his absence), would make any further changes to the Statement of Accounts 2022/23 and/or letters of representation that may arise during completion of the audit and advise subsequently the Audit and Governance Committee.
- (g) Considered and approve the Statement of Accounts 2023/24 at Annex 4.
- (h) Noted the Summary Accounts 2023/24 at Annex 5.
- (i) Agreed that the Executive Director of Resources and Section 151 Officer, in consultation with the Chairman of the Committee (or Deputy Chairman in his absence), would make any further changes to the Statement of Accounts 2023/24 and/or letters of representation that may arise during completion of the audit and advise subsequently the Audit and Governance Committee

78/24 ANNUAL GOVERNANCE STATEMENT 2023/24

(Agenda No. 8)

The Head of Legal & Deputy Monitoring Officer presented the report and indicted the following:

On 17 July 2024, the Committee approved the Annual Governance Statement (AGS) for the year 2023/24. Local authorities were required to prepare an AGS to be transparent about their compliance with good governance principles and gave an opinion on the effectiveness of those arrangements.

The Constitution Review Group had also been set up for Members to review the Constitution.

In response to Members the following was noted:

- The Future Council Governance Group was specifically set-up with the remit to consider future governance arrangements for the County Council and did not fall under the scope of the AGS.
- Regarding the recommendations of the Future Council Governance Group, which was forward looking, the issues contained therein would be further considered in order for a definitive answer to be provided.
- The AGS approved was for 2023/24, but the actions taken were within the present municipal year which reflected the work that had been done.

Resolved that the Committee:

- a) Received this update on the actions from the Annual Governance Statement 2023/24 and to make any comment upon them.

79/24 ANNUAL REPORT ON WHISTLEBLOWING

(Agenda No. 9)

The Head of Legal & Deputy Monitoring Officer presented the report and indicated the following:

A new Whistleblowing Policy was presented to the Audit and Governance Committee on 13 March 2024. The new policy provided greater clarity around the six categories set out in the Employment Rights Act 1996 that made a complaint a qualifying disclosure under the Public Interest Disclosure Act 1998. The Monitoring Officer was tasked with providing training on the Whistleblowing policy and procedure which was currently being rolled out.

In terms of the process, allegations were subjected to legal tests and if the allegations satisfied the test they were sent to the appropriate officer for investigation.

In response to Members the following was noted:

- The changes made to the Whistleblower Policy, were welcomed and it is much clearer for people raising a concern on how their concerns would be addressed.
- The number of whistleblowers were low for a large organisation which could reflect the application of a strict legal criteria. However, allegations that did not meet the legal test could also be looked at from a different perspective such as a grievance procedure
- The County Council processes provided people with the necessary assurance to raise issues and concerns.
- The training of officers also ensured that the process was properly managed.
- In terms of whistleblowing investigations, the audit team would view the results irrespective of the outcomes.
- The role of trade unions had been recognised in the report which was positive. However, in terms of the contact details available the telephone numbers of the unions should also be included.

Action: To include a question in the survey that goes to all staff, "if staff members are aware of the whistleblowing policy and if they are comfortable to report concerns." Furthermore, to consider if mandatory training is required for all officers and Members.

Resolved that the Committee:

- a) **Noted the number of incidents of Whistleblowing during the 2023-24 financial year.**
- b) **Noted that training on Whistleblowing was currently being rolled out within the organisation.**

80/24 COUNTER FRAUD UPDATE

(Agenda No. 10)

The Chief Internal Auditor presented the report and indicated the following:

The report presented a summary of activity against the Counter Fraud Plan for 2024/25, presented to the July 2024 Audit & Governance Committee meeting. The Counter Fraud plan supported the Council's Anti-Fraud and Corruption Strategy and ensured that the Council had proportionate and effective resources and controls in place to prevent and detect fraud as well as investigate those matters that do arise.

Efforts had been intensified on the proactive side of the work, which was just as important as the reactive investigation. Work had been done on the fraud risk register and for the data matching exercise and the continued work on fraud awareness and training and some of the blue badge enforcement exercises.

In response to Members the following was noted:

- In terms of blue badge enforcement, two exercises were done thus far, and in comparison, to other similar sized authorities which had allocated more resources and time, those measures had not shown any different results to the one achieved by the County Council.
- Four cases would go for prosecution, which was a good result for the County Council.
- Attention was being focussed on hotspots where the risks were high in terms of blue badge enforcement.
- The message that was being conveyed to residents was that the County Council supported residents that needed access to spaces.
- It was noted that the NFI (National Fraud Initiative) was going to reintroduce data matching on residential placements – this provides assurance over payments made.

Resolved that the Committee:

- a) **Noted the summary of activity against the Counter Fraud Plan for 2024/25.**

81/24 FINANCIAL PROCEDURE RULES AND FINANCIAL REGULATIONS

(Agenda No. 11)

The Director of Financial and Commercial Services presented the report and indicated the following:

It had recently been identified that the amendments to the Financial Procedure Rules and Financial Regulations updated in April 2020, which remained in current operation, had not been approved by Council. The last approved version was in 2016. The amendments made in 2020 were scheduled to be presented to Council for approval in April 2020, but the meeting was cancelled following the outbreak of the Covid 19 pandemic. The agenda item was never then rescheduled.

It was a requirement under the Constitution that Financial Procedure Rules and Financial Regulations were subject to approval by Council, therefore this issue was being reported to Audit and Governance Committee, before a report was submitted to Council on 10 December 2024 for approval.

In response to Council Members the following was noted:

- This was a procedural and technical issue that would need to be approved by Council.
- The County Council approved the amendments to section 5 of the Financial Regulations on 1 November 2022, but the authorisation limits were not highlighted for approval.
- In terms of the changes made, officers could make decisions for budgets of £50000 or less without taking it to Cabinet.
- In terms of resource allocation amounts of £1million and above required Cabinet approval.

Resolved that the Committee:

- a) Endorsed the amendments to the Financial Procedure Rules and Financial Regulations including those made in April 2020 that were not subject to approval; and, to submit to Council for approval at the meeting on 10 December 2024**

82/24 OXFORD FIRE AND RESCUE SERVICES STATEMENT OF ASSURANCE 2023/24

(Agenda No. 12)

The Deputy Chief Fire Officer supported by the Station Manager presented the report and indicated the following:

The Fire and Rescue National Framework for England 2018 was set out as a requirement for all fire and rescue authorities to provide annual assurance on financial, governance and operational matters through publishing of an Annual Statement of Assurance.

In response to Members the following was noted:

- Strong collaboration was undertaken with the Thames Valley Police and projects that fall within the prevention strategy and activity was captured through that governance process.
- A formal fire improvement plan had been put into place based on the recommendations and His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) report.
- Progress had been monitored and was also linked to the strategic leadership teams of Fire and Rescue Service, Community Safety Services and the Oxford County Council.
- Regarding increasing the diversity of the operational work force and engagement with the community, it was an area that was being worked on as part of the recruitment strategy.
- In terms of the contamination, the actions and initiative of the crew and work being done with the unions to produce appropriate strategies to mitigate risks had been encouraging.

- Medical checks had also been conducted on fire-fighters through the help of medical doctors to ensure a more preventative approach.

Resolved that the Committee:

- a) Considered and approved the Oxfordshire Fire and Rescue Service Statement of Assurance 2023/24 for publication.**
- b) Noted this document was procedural and not recommending any policy decision, strategy or project involving major change.**

83/24 OXFORDSHIRE FIRE AND RESCUE SERVICE 2023/2024 ANNUAL REPORT

(Agenda No. 13)

The Performance Manager (Fire Officer and Community Safety) presented the report and indicated the following:

The Community Safety Services, Annual Report provided information to members of the public on Oxfordshire Fire and Rescue activities and performance. It demonstrated what was being done between 2023 and 2024 across the strategic priorities of protection, prevention, response, and people.

The report also highlighted the success of two officers that received the British Empire medal and the Rose award.

In response to Members the following was noted:

- The figure for safe and well visits undertaken was welcomed which included bicycle safety programmes for children.
- Regarding referrals from Oxfordshire Fire and Rescue Service to other agencies, there were no other referrals made outside Oxford City Council.
- The safeguarding of commercial premises was one of the statutory duties under the Fire and Rescue Services Act and was not regarded as a chargeable activity.
- Buildings were prioritised based on risk, and businesses were supported on how to make improvements to satisfy the safety requirements.
- Collaboration was undertaken with other blue light services, working with South Central ambulance and Thames Valley police, and no charges were incurred for anything deemed to be an emergency because it fell within the statutory ambit.
- There was a serious attempt to reduce the number of false alarms
- It will be opportune time to include Vision Zero as part of the review of the safety and prevention strategy.
- The Fire and Rescue Services were complimented for the work done to protect residents.

Action: Councillor Charlie Hicks requested to expand the section on Vision Zero to incorporate some comments on the SAFE system in the current annual Report. Future annual reports would include and provide a detailed breakdown of the statistics.

Resolved that the Committee:

- a) Considered and approved the Community Safety Services, Annual Report 2023/24 for publication.
- b) Noted that the document was procedural and not recommending any policy decision, strategy or project involving major change.

84/24 AUDIT WORKING GROUP

(Agenda No. 14)

The Chief Internal Auditor presented the report and indicated the following:

The Audit Working Group (AWG) met on 8 October 2024. The group received an update on the implementation of management actions that arose from the audits of Legal Case Management and also Supported Transport, which were both undertaken during 2023/24, and had the overall conclusion graded as Red. The Audit Working Group noted that good progress had been made with the implementation of the management action plan for both audits.

In response to the Council Members the following was noted:

- Councillor Bob Johnston to be the substitute for Councillor Jenny Hannaby
- Councillor Nick Leverton to be appointed as substitute for Councillor Ted Fenton
- Every Member of the Audit and Governance Committee could attend the Audit Working Group as observers, if not appointed to the AWG as formal Members

Resolved that the Committee:

- a) Noted the report.

85/24 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

(Agenda No. 15)

The Committee noted the work programme and commented on the following:

- Due to a Council meeting to be held later in May 2025, the Audit and Governance meeting scheduled for May 2025 had fallen off the schedule.
- The possibility of rescheduling another meeting was being considered.
- No agenda items had been referred to the Audit Working Group (AWG) and therefore the meeting for December would be cancelled.

..... in the Chair

Date of signing

AUDIT & GOVERNANCE COMMITTEE 15 JANUARY 2024

Highways Contract Arrangements

Report by Director of Environment and Highways

RECOMMENDATION

1. **The Audit & Governance Committee is RECOMMENDED to**
 - a) Note the governance in place and associated activities to enable the successful transition from the existing to new highways maintenance contract due to commence on 1st April 2025.

Executive Summary

2. The existing highway maintenance contract with M-Group Infrastructure (Milestone) is set to expire on 31 March 2025 with no options to extend. Following Cabinet approval in October 2023, officers were instructed to prepare and commence the procurement of a new highway maintenance contract to start on 1st April 2025 (following a mobilisation period) for 8 years with options for two 3-year extensions (14-year potential contract length).
3. Following an open procurement exercise a preferred bidder has been selected and contract awarded. Comprehensive demobilisation and mobilisation programmes have commenced to manage the transition from the new contract to the old.

Exempt Information

4. None

Background

5. Oxfordshire is a thriving county which is home to over 650,000 residents. The county has over 3,000 miles of highway and 2,600 miles of public rights of way to manage and maintain.
6. The services to be covered under this contract are the maintenance and improvement of the Council's highway network and include:
 - Routine maintenance (reactive and planned) of highway assets including carriageways, footways, cycleways, drainage systems, structures,

- fences and barriers, signs and road markings, street furniture, verges and trees, public rights of way.
 - Emergency response to incidents on the highway network.
 - Winter maintenance, including precautionary treatments and snow clearance.
 - Capital maintenance, including surfacing, surface dressing and surface treatments.
 - The construction of highway improvement works up to an estimated construction value of £750,000 per scheme (excluding VAT).
 - Design services for the maintenance and improvement works.
7. The agreed procurement process for this contract was a two stage 'competitive procedure with negotiation' (CPN) to ensure a meaningful dialogue is maintained with suppliers throughout the lifecycle of the process but still allowing the Council the flexibility to award the contract based on the initial tenders without any negotiation.
 8. Following receipt of the Initial Tenders the Council took the decision to proceed with the award of this Contract based on the evaluation of Initial Tenders, not progressing to negotiation or submission of Final Tenders. The CPN procedure permits the Council to award the contract based on an evaluation of the Initial Tenders and the Council reserves the right to do so at its absolute discretion.

Implementation & Contract Management

9. Once a preferred bidder was selected, comprehensive demobilisation and mobilisation programmes commenced to manage the transition from the old contract to the new.
10. A governance structure as set out in Annex 1 has been established to monitor the progress of these programmes and delivery of activities with the two key governance groups (Demobilisation and Mobilisation Steering Groups) meeting on a bi-weekly basis. Existing contract operational governance structures are being used for escalation and decision-making purposes as appropriate.
11. As part of the procurement exercise bidders were required to provide a clear, comprehensive, and robust mobilisation plan that provided details of the key activities, processes, and services to be undertaken to deliver a successful and seamless mobilisation in accordance with the requirements of the Scope. The response also required the bidders to demonstrate how they would ensure sufficient and appropriate staffing and resourcing of activities and services. The purpose of the mobilisation plan was to allow the Council to evaluate whether the bidder would be capable of successfully providing the Service from the operational commencement date of 01 April 2025.
12. Through the evaluation of the tenders, the Mobilisation Plan was considered as Good by the service - they have confidence in the plan and the transition to commence the new contract.

13. A recent internal audit report highlighted that there was 'a good system of internal control in place' and the fact that the transition plans are 'robust and clearly outline and define the Council's approach to contract closure of the existing contract and the formal acceptance of project deliverables, objectives and commitments under the new contract.'
14. Once the contract has commenced, the council will measure and manage performance in accordance with S825 of the scope, Performance Management, which sets out the performance requirements for all aspects of the contract. A copy of this is included as Annex 2.
15. This will be a platinum rated contract for the Council, therefore the Procurement and Contract Management Hub will have strategic oversight of the contract. The operational team will contract manage on a day-to-day operational basis including social value commitments.

Financial Implications

16. The new contract will be based on a NEC4 Term Service contract, which will include a comprehensive contractual pricing schedule. This defined price list will give more immediate visibility over the costing of works and will provide higher levels of confidence and clarity over the costs over the lifecycle of our schemes resulting in more predictable pricing at an earlier stage helping to avoid inflated costs on schemes/works. The price list will be subject to an annual inflation adjustment on the starting date and each anniversary of the starting date thereafter.
17. Due to the uncertainty of future government grants and the council budget pressures and priorities, the contract does not offer guaranteed levels of spend. All costs associated with the contract will be managed through the existing highways maintenance budget. Contractual pricing will be monitored and aligned within the existing set budget and will not reach over and above the current budget.
18. Any costs associated with mobilisation of this contract will be funded through the 24/25 budget and no additional funds will be required.

Comments checked by:

Filipp Skiffins Assistant Finance Business Partner,
Filipp.Skiffins@Oxfordshire.gov.uk

Legal Implications

19. Due to the complex and specific nature of a long-term highway maintenance contract, specialist external lawyers have been resourced to support the inhouse lawyer in the development of the contract. The new contract is based on the NEC4 term service contract, which is a recognised contract within the

industry, but with amendments and additions to the standard NEC4 standard provisions to address a series of specific requirements as to how this particular contract will operate.

20. As the 'Highway Authority' for Oxfordshire, the procurement of a new highway maintenance contract/s is essential to ensure Oxfordshire County Council meets its obligations under section 41 of the Highways Act 1980 to maintain highways which are deemed 'maintainable at public expense'.

Sarah Hayes, Solicitor, Contracts (Legal Services)

Sarah.Hayes@Oxfordshire.gov.uk

Equality & Inclusion Implications

21. As part of the highways maintenance contract, Equalities Impact Assessments (EIAs) will be undertaken for specific schemes or programmes of work. EIAs help evaluate the policy and service changes on certain groups within our community. The responsible officer will be required to conduct an EIA at the beginning of each scheme / programme conducted under the highways maintenance contract. Each EIA will be reviewed and signed off by the appropriate Operational Manager on an individual basis, ensuring that all projects and programmes comply with equality standards and regulations. Finally, EIA's will also be sent to the Policy team to undertake an assessment of the findings of impacts on communities.
22. It is not anticipated that the procurement of a new highway maintenance contract/s will impact negatively on any 'protected characteristics' groups, nor on the armed forces, carers, staff, other Council services or providers.
23. Social Value was assessed formally as part of this tender process and is a key component of the new contract. Social Value commitments will be monitored in accordance with our performance management framework.
24. A copy of the equalities impact assessment can be found at Annex 3.

Sustainability Implications

25. Any future contract will look to ensure adoption of the latest technologies, innovations, and practices to reduce carbon where possible. A Climate Impact Assessment has been completed for the proposal which shows a net benefit of +25. A copy of the Climate Impact Assessment can be found at Annex 4.
26. A Climate Impact Assessment will also be undertaken for specific schemes or programmes of work ensuring that climate and carbon impacts are understood, mitigated and opportunities for new ways of working and materials are maximised.

Risk Management

27. A detailed risk and issue log has been jointly developed for Mobilisation and Demobilisation activities and is being actively managed by the governance workstream and respective steering groups. Key risks will be escalated to the steering group and added to the corporate register where required.

PAUL FERMER

Director of Environment and Highways

Annex: Governance Structure
Performance Management
Equalities Impact Assessment
Climate Impact Assessment

Background papers: Nil

Contact Officer: Rose Sutton, Project Manager
Rose.Sutton@Oxfordshire.gov.uk

January 2025

This page is intentionally left blank

Oxfordshire Demobilisation /
Mobilisation Reporting Structure

Demobilisation
Workstreams

People

Accommodation

Plant, Equipment,
Stock & Vehicles

Task Order Works
Programmes

Design
Programmes

Commercial

Data, Archiving,
ICT &
Performance Hub

Demobilisation
Governance

Demobilisation
Steering Group

Mobilisation
Steering Group

Mobilisation
Governance

Contract
Highways
Operations Board

Oxfordshire
County Council
SPB

Oxfordshire
County Council
Informal Cabinet

Mobilisation Workstreams

People

Quality

Customer &
Communication

Performance

Health, Safety &
Wellbeing

Environment

Planning &
Operations

Social Value

ICT & Systems

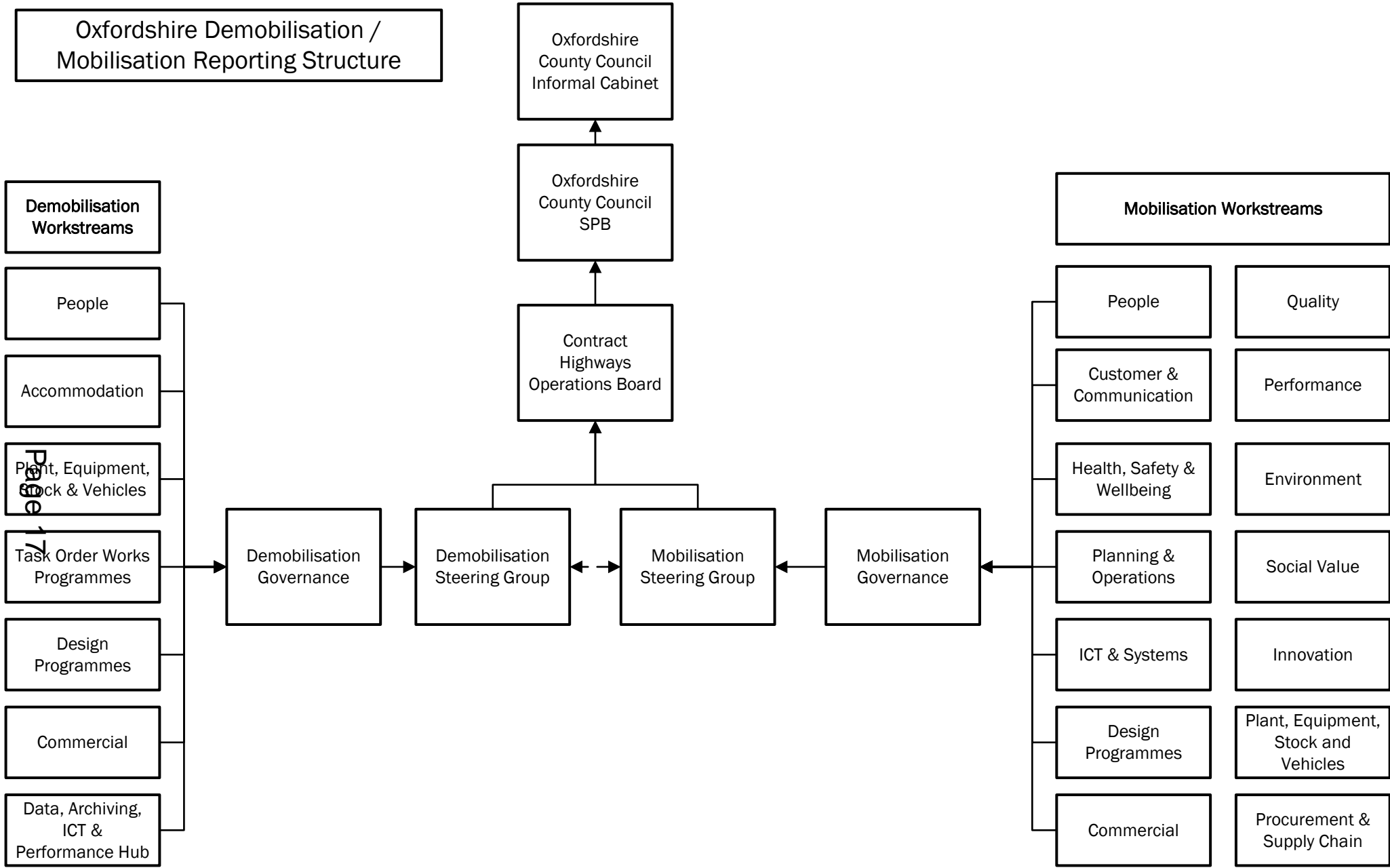
Innovation

Design
Programmes

Plant, Equipment,
Stock and
Vehicles

Commercial

Procurement &
Supply Chain



This page is intentionally left blank

S 825 Performance Management

From the *starting date* until the end of the Service Period, the Parties measure and manage performance in accordance with the Performance Management Framework (PMF). The PMF can be found at Schedule 8.

Furthermore, the Key Commitments proposed by the *Contractor* will be used to support the overall performance assessment of the *Contractor* (Schedule 8 of this Scope document). During mobilisation a programme containing the Key Commitments will be compiled by the *Client* along with any specific KPIs to judge progress against delivery during the term of the *Contract*.

The PMF includes operational performance indicators (OPI) that define the levels of service required and what information is collected and reported by the *Contractor*.

Each OPI has a target performance level (desired level of performance that the *Client* requires) ("Target Performance Level") and a threshold performance level (minimum level of performance that is acceptable to the *Client*) ("Threshold Performance Level").

No later than the assessment date, the *Contractor* submits to the *Service Manager* a report on performance against each of the OPI's, the *Contractor's* report shall refer to the performance of such part or parts of the *service* carried out in the month immediately prior to the assessment date. The report includes supporting data to show how the performance against each OPI has been calculated. The *Service Manager* may instruct the *Contractor* to provide further information. The *Contractor* provides the information within the Period for Reply.

Failure to meet the Target Performance Level

Following notification from the *Service Manager* that the *Contractor* has failed to meet the Target Performance Level for an OPI, the *Contractor* submits a Performance Improvement Plan (PIP) to the *Service Manager* by no later than the date specified in the *Service Manager's* notification for acceptance by the *Service Manager*. The PIP sets out the proposed actions and the date for achieving the Target Performance Level. The *Service Manager* shall upon receipt of the PIP notify the *Contractor* of its acceptance or reasons for not accepting it. Reasons for not accepting the PIP are:

- that it does include actions that are practicable or
- that the date does not minimise the adverse effect on the *Client* or Others.

Where the *Service Manager* does not accept the PIP or following acceptance where the *Service Manager* requires a revision to the PIP the *Contractor* shall, following instruction from the *Service Manager*, resubmit the PIP at such intervals and at such times as are requested by the *Service Manager*. Upon acceptance of the PIP or any revision thereto the date for achieving the Target Performance

Level shall be as specified in the accepted PIP or revised PIP (the “Accepted Date”).

The *Contractor* implements the PIP following notification of its acceptance by the *Service Manager* if the PIP does not result in the *Contractor* achieving the Target Performance Level by the Accepted Date the *Contractor* submits a revised PIP for acceptance.

Failure to meet Threshold Performance Level

Following notification from the *Service Manager* that the *Contractor* has failed to achieve the Threshold Performance Level for an OPI the *Contractor* shall submit a performance rectification plan (PRP) to the Service Manager for acceptance. The PRP shall include a root cause analysis of the failure and proposed actions and the date for achieving the Threshold Performance Level. The *Service Manager* shall upon receipt of the PRP notify the *Contractor* of its acceptance or reasons for not accepting it. Reasons for not accepting the PRP are:

- It does not contain a root cause analysis
- that it does include actions that are practicable; or
- that the date proposed for compliance with the Threshold Performance Level does not minimise the adverse effect on the *Client* or Others.

Where the *Service Manager* does not accept the PRP or following acceptance where the *Service Manager* requires a revision to the PRP the *Contractor* shall, following instruction from the *Service Manager*, resubmit the PRP at such intervals and at such times as are requested by the *Service Manager*. Upon acceptance of the PRP or any revision thereto the date for achieving the Threshold Performance Level in the accepted PRP or revised PRP shall be the “Accepted Date”.

If the performance fails to meet the Threshold Performance Level by Accepted Date, the *Client* may make performance deductions calculated in accordance with the Performance Deduction Calculation until the Threshold Performance Level is met.

If the *Service Manager* does not accept the PRP (or any revised PRP) the *Client* may make performance deductions calculated in accordance with the Performance Deduction Calculation until the PRP is accepted and the Threshold Performance Level is met.

Performance deductions will be deducted from the sums assessed as being due to the *Contractor* at the assessment date each month for the periods set out in this section.

Performance Deduction Calculation:

Each OPI will have a weighting. The performance deduction is calculated as follows:

Annex 2 – Performance Management

performance deduction = change in the amount due since previous assessment date x *Contractor's fee percentage* x weighting of OPI failed.

Example:

Change in the amount due (i.e. payment due based on the current month) = £6,000,000

OPI weighting = 5%

Fee percentage = 9%

Performance Deduction = 6,000,000 x 9% x 5% = £27,000

As OPI data will only be available in the following month, the calculation will be retrospective. I.e. the performance deduction will apply to the month in which the performance target was missed.

Amending the OPIs

The Parties consult each other about proposed changes to the OPIs. The *Service Manager* may instruct changes to the OPIs including but not limited to the addition or removal of an OPI, an amendment to the definition or method of measurement of an OPI, changes to the target and threshold levels.

This page is intentionally left blank



Oxfordshire County Council

Equalities Impact Assessment

Highways Maintenance Contract

24/12/2024

Contents

Section 1: Summary details	3
Section 2: Detail of proposal	4
Section 3: Impact Assessment - Protected Characteristics	6
Section 3: Impact Assessment - Additional Community Impacts	7
Section 3: Impact Assessment - Additional Wider Impacts	8
Section 4: Review	10

Section 1: Summary details

Directorate and Service Area	Environment & Highways, Highways Maintenance
What is being assessed (e.g. name of policy, procedure, project, service or proposed service change).	The governance in place and associated activities to enable the successful transition from the existing to new highways maintenance contract due to commence on 1st April 2025
Is this a new or existing function or policy?	Existing
Summary of assessment Briefly summarise the policy or proposed service change. Summarise possible impacts. Does the proposal bias, discriminate or unfairly disadvantage individuals or groups within the community? (following completion of the assessment).	<p>Oxfordshire County Council's existing highways maintenance contract with Milestone is set to expire on 31st March 2025 with no opportunity for extension. Following a robust procurement exercise a preferred bidder has been selected and comprehensive Demobilisation and Mobilisation programmes have begun to manage the transition from the new contract to the old.</p> <ul style="list-style-type: none"> - No 'protected characteristics' groups will be impacted by any proposals - Armed Forces and Carers will not be impacted by any proposals however there is an opportunity to positively impact rural communities and areas of deprivation - Staff, other Council services and providers will not be impacted by any proposals however there is the opportunity to enhance social value through any procurements.
Completed By	Conor O'Sullivan
Authorised By	Jamie Kavanagh
Date of Assessment	06/01/2025

Section 2: Detail of proposal

<p>Context / Background</p> <p>Briefly summarise the background to the policy or proposed service change, including reasons for any changes from previous versions.</p>	<p>The existing M-Group Infrastructure (Milestone) highways maintenance contract is set to expire on 31st March 2025 with no option to extend the contract further. For Oxfordshire County Council to meet their obligations under the Highways Act 1980 a new contract needs to be tendered, or service brought in house.</p> <p>Following Cabinet approval in October 2023, officers were instructed to prepare and commence the procurement of a new highway maintenance contract to start on 1st April 2025 (following a mobilisation period) for 8 years with options for two 3-year extensions (14-year potential contract length).</p> <p>Following a robust procurement exercise a preferred bidder has been selected and comprehensive Demobilisation and Mobilisation programmes have commenced to manage the transition from the new contract to the old.</p>
<p>Proposals</p> <p>Explain the detail of the proposals, including why this has been decided as the best course of action.</p>	<p>It is proposed a governance structure is established to monitor the progress of the Demobilisation and Mobilisation programmes; the two key governance groups will meet on a bi-weekly basis. The governance structure will also include reporting from those two key groups up to the Council's Highways Operations Board for escalation and decision-making purposes. Formal terms of references, set agendas and risk registers are in place for both steering groups. Each workstream has a lead from the Council and a lead from the preferred bidder.</p>
<p>Evidence / Intelligence</p> <p>List and explain any data, consultation outcomes, research findings, feedback from service users and stakeholders etc, that</p>	<p>As part of the procurement exercise bidders were required to provide a clear, comprehensive, and robust mobilisation plan that provided details of the key activities, processes, and services to be undertaken to deliver a successful and seamless mobilisation in accordance with the requirements of the Scope. Bi-weekly highlight reports produced by workstream leads will provide a Red Amber Green (RAG) grading on the status of each workstream for discussion during the meetings.</p>

<p>supports your proposals and can help to inform the judgements you make about potential impact on different individuals, communities or groups and our ability to deliver our climate commitments.</p>	
<p>Alternatives considered / rejected</p> <p>Summarise any other approaches that have been considered in developing the policy or proposed service change, and the reasons why these were not adopted. This could include reasons why doing nothing is not an option.</p>	<p>The alternative Demobilisation and Mobilisation proposals by other bidders have already been rejected through the procurement process. The preferred bidder fulfilled the scope Oxfordshire County Council outlined during the tender process.</p>

Section 3: Impact Assessment Protected Characteristics

Protected Characteristic	No Impact	Positive	Negative	Description of Impact	Any actions or mitigation to reduce negative impacts	Action owner* (*Job Title, Organisation)	Timescale and monitoring arrangements
Age	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	This contract is not anticipated to impact on this protected characteristic.			
Disability	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	This contract is not anticipated to impact on this protected characteristic.			
Gender Reassignment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	This contract is not anticipated to impact on this protected characteristic.			
Marriage & Civil Partnership	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	This contract is not anticipated to impact on this protected characteristic.			
Pregnancy & Maternity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	This contract is not anticipated to impact on this protected characteristic.			
Race	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	This contract is not anticipated to impact on this protected characteristic.			
Sex	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	This contract is not anticipated to impact on this protected characteristic.			
Sexual Orientation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	This contract is not anticipated to impact on this protected characteristic.			
Religion or Belief	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	This contract is not anticipated to impact on this protected characteristic.			

Section 3: Impact Assessment Additional Community Impacts

Additional community impacts	No Impact	Positive	Negative	Description of impact	Any actions or mitigation to reduce negative impacts	Action owner (*Job Title, Organisation)	Timescale and monitoring arrangements
Rural communities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	This contract will look to ensure best value for money is achieved. This will mean where possible rural communities will benefit from improved highway maintenance schedules.			
Armed Forces	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	This contract is not anticipated to impact on the armed forces.			
Carers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	This contract is not anticipated to impact on carers.			
Areas of deprivation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	This contract will look to ensure best value for money is achieved. This will mean where possible areas of deprivation will benefit from improved highway maintenance schedules.			

Section 3: Impact Assessment Additional Wider Impacts

Additional Wider Impacts	No Impact	Positive	Negative	Description of Impact	Any actions or mitigation to reduce negative impacts	Action owner* (*Job Title, Organisation)	Timescale and monitoring arrangements
Staff	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Any impacts on staff will be dependent upon the preferred option approved by Cabinet in 2023.			
Other Council Services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	This contract is not anticipated to impact on other council services.			
Providers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	This contract is not anticipated to impact on other providers.			
Social Value ¹	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	This procurement has looked to ensure the Councils social values are demonstrated by providers.			

¹ If the Public Services (Social Value) Act 2012 applies to this proposal, please summarise here how you have considered how the contract might improve the economic, social, and environmental well-being of the relevant area

-

Section 4: Review

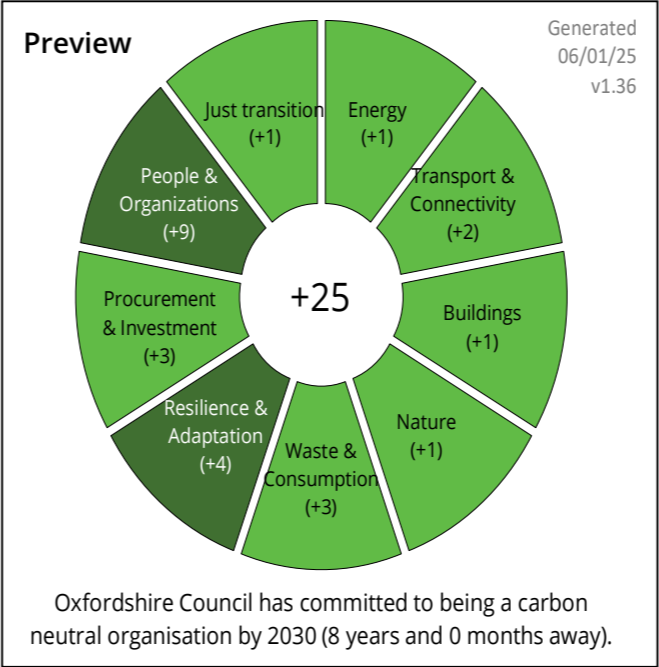
Where bias, negative impact or disadvantage is identified, the proposal and/or implementation can be adapted or changed; meaning there is a need for regular review. This review may also be needed to reflect additional data and evidence for a fuller assessment (proportionate to the decision in question). Please state the agreed review timescale for the identified impacts of the policy implementation or service change.

Review Date	
Person Responsible for Review	
Authorised By	

Climate Impact Assessment

Summary

Directorate and Service Area	Environment & Highways - Highways Maintenance
What is being assessed	The governance in place and associated activities to enable the successful transition from the existing to new highways maintenance contract due to commence on 1st April 2025.
Is this a new or existing function or policy?	Existing function
Summary of assessment	Oxfordshire County Council's existing highways maintenance contract with Milestone is set to expire on 31st March 2025 with no opportunity for extension. Following a robust procurement exercise a preferred bidder has been selected and comprehensive Demobilisation and Mobilisation programmes have begun to manage the transition from the new contract to the old.
Completed by	Conor O'Sullivan
Climate action sign off by	Franco Gonzalez
Director sign off by	Paul Fermer
Assessment date	45663



Detail of proposal

Context / Background	<p>The existing M-Group Infrastructure (Milestone) highways maintenance contract is set to expire on 31st March 2025 with no option to extend the contract further. For Oxfordshire County Council to meet their obligations under the Highways Act 1980 a new contract needs to be tendered, or service brought in house.</p> <p>Following a robust procurement exercise a preferred bidder has been selected and comprehensive Demobilisation and Mobilisation programmes have commenced to manage the transition from the new contract</p>
Proposal	<p>It is proposed a governance structure is established to monitor the progress of the Demobilisation and Mobilisation programmes; the two key governance groups will meet on a bi-weekly basis. The governance structure will also include reporting from those two key groups up to the Council’s Highways Operations Board for escalation and decision-making purposes. Formal terms of references, set agendas and risk registers are in place for both steering groups. Each workstream has a lead from the Council and a lead from the preferred bidder.</p>
Evidence / Intelligence	<p>As part of the procurement exercise bidders were required to provide a clear, comprehensive, and robust mobilisation plan that provided details of the key activities, processes, and services to be undertaken to deliver a successful and seamless mobilisation in accordance with the requirements of the Scope. Bi-weekly highlight reports produced by workstream leads will provide a Red Amber Green (RAG) grading on the status of each workstream for discussion during the meetings.</p>
Alternatives considered / rejected	<p>There are no alternatives as the Demobilisation and Mobilisation proposals by other bidders have already been rejected through the procurement process. The preferred bidder fulfilled the scope Oxfordshire County Council outlined during the tender process.</p>

Category	Impact criteria	Score (-3 to +3)	Description of impact	Actions or mitigations to reduce negative impacts	Action owner	Timeline and monitoring arrangements
Energy	Increases energy efficiency	N/A	New highways maintenance contract will not impact energy efficiency The contract has included provisions for the electrification of power tools and plants in highway maintenance operations. This contract does not impact on local, smart energy systems.			
Energy	Promotes a switch to low-carbon or renewable energy	1				
Energy	Promotes resilient, local, smart energy systems	N/A				
Transport & Connectivity	Reduces need to travel and/or the need for private car ownership	N/A	This contract does not reduce the need to travel or need for private car ownership. This contract will be responsible for the maintenance of existing and in some cases construction of new active travel infrastructure. This contract will maintain assets used by public transport providers This contract will maintain assets used by electric and autonomous vehicles. The contractor will establish a pathway for the decarbonisation of their fleets during the duration of the contract.			
Transport & Connectivity	Supports active travel	1				
Transport & Connectivity	Increases use of public transport	1				
Transport & Connectivity	Accelerates electrification of transport	1				
Buildings	Promotes net zero new builds and developments	N/A	This contract does not impact on new builds and developments. This contract has provisions for contributing to the retrofit of OCC's Highways Maintenance Depots.			
Buildings	Accelerates retrofitting of existing buildings	1				
Nature	Protects, restores or enhances biodiversity, landscape and ecosystems	1	This contract will aim to protect restore or enhance biodiversity where possible. This contract does not impact on blue or green infrastructure. This contract will not improve access to nature or green spaces.			
Nature	Develops blue and green infrastructure	N/A				
Nature	Improves access to nature and green spaces	N/A				
Waste & Consumption	Reduces overall consumption	1	This contract will look to embrace latest technologies within the sector including the optimisation of materials and reduction of waste.			

Waste & Consumption	Supports waste prevention and drive reuse and recycling		1	This contract will look to reduce waste in terms of materials used and promote the recycling of materials where possible. Where applicable this contract may
Resilience & Adaptation	Increases resilience to flooding		1	be used to build flood alleviation assets
Resilience & Adaptation	Increases resilience to other extreme weather events (e.g., storms, cold snaps, heatwaves, droughts)		1	Where applicable this contract may be used to respond to other events
Resilience & Adaptation	Increases resilience of council services, communities, energy systems, transport infrastructure and/or supply chains		2	This contract will look to maintain and improve transport infrastructure.
Procurement & Investment	Procurement practices prioritise low-carbon options, circular economy and sustainability		1	This contract will look to adopt and promote latest industry innovations including low carbon alternatives to traditional maintenance techniques
Procurement & Investment	Investment being considered supports climate action/ is consistent with path to net zero		1	This contract will look to adopt and promote latest industry innovations including low carbon alternatives to traditional maintenance techniques
People & Organizations	Drives behavioural change to address the climate and ecological emergency		3	The contract will continue to influence the supply chain through our highways contractor so it can motivate its own subcontractors to adopt carbon reduction plans. This contract will continue to improve PAS2080 processes, set science-based targets and improve reporting to monitor progress. PAS2080 is the gold standards for carbon management in infrastructure.
People & Organizations	Drives organizational and systemic change to address the climate and ecological emergency		3	
Just transition	Promotes green innovation and job creation		1	This contract will look to adopt and promote latest industry innovations including low carbon alternatives to traditional maintenance techniques
Just transition	Promotes health and wellbeing	N/A		This cotnract will not look to promote health and wellbeing
Just transition	Reduces poverty and inequality	N/A		This contract will not look to reduce poverty and inequality
Just transition	Promotes inclusion and participation	N/A		This contract will not impact inclusion and participation

Division(s): N/A

AUDIT & GOVERNANCE COMMITTEE – 15 JANUARY 2025

TREASURY MANAGEMENT STRATEGY & ANNUAL INVESTMENT STRATEGY 2025/26

Report by Executive Director of Resources & Section 151 Officer

RECOMMENDATION

1. Audit & Governance Committee is RECOMMENDED to endorse the Treasury Management Strategy & Annual Investment 2025/26 as outlined in the report.

Executive Summary

2. The Treasury Management Strategy & Annual Investment Strategy for 2025/26 outlines the council's strategic objectives in terms of its debt and investment management for the financial year 2025/26.
3. The forecast average cash balance for 2025/26 is £421m. The council will maintain its investment in strategic pooled funds with a purchase value of £101m (24%). The remaining £320m (76%) will be managed internally with a mixture of short, medium and long-term deposits.
4. The Bank of England Base Rate is forecast to start the year at 4.50%, reducing to 3.75% - 3.50% by the end of the financial year.
5. UK Government Gilt yields are forecast to fall from 5.50% to 3.80% over the medium term.
6. As the council's Capital Financing Requirement (CFR) is proposed to increasing significantly over the medium term, the strategy will aim to decrease long term investments to allow for greater internal borrowing.
7. Changes to the Treasury Management Strategy will be recommended to Council to be delegated to the Executive Director of Resources & Section 151 Officer in consultation with the Leader of the Council and Cabinet Member for Finance

Changes from 2024/25 Strategy

8. Reflecting the anticipated level of cash balances over the medium and long term, lending limits are proposed to be updated as follows:

	From	To
2025/26	£175m	£150m
2026/27	£150m	£150m
2027/28	£150m	£140m
2028/29	£150m	£100m
2029/30	n/a	£100m

Background

9. The Local Government Act 2003 and supporting regulations require the council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the council's capital investment plans are affordable, prudent and sustainable.
10. The Act requires the council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act). The Annual Investment Strategy sets out the council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
11. Treasury management is defined as: "The management of the organisation's borrowing, investments and cash flows, including 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."
12. The proposed strategy for 2025/26 is based upon the views of the council's Treasury Management Strategy Team (TMST)¹, informed by market forecasts provided by the council's treasury advisor, Link Treasury Services. The forecast and economic background provided by Link Treasury Services can be found in Annex 1.
13. It is proposed that any further changes required to the Annual Treasury Management Strategy & Annual Investment Strategy, continue to be delegated to the Executive Director of Resources & Section 151 Officer in consultation with the Leader of the Council and Cabinet Member for Finance.

Forecast Treasury Portfolio Position

14. The council's treasury forecast portfolio position for the 2025/26 financial year comprises:

	Principal	Average Rate
--	-----------	--------------

¹Comprising the Executive Director of Resources & Section 151 Officer, Financial Manager – Pension Fund Investments, Head of Corporate Finance, and Treasury Manager.

	£m	%
Opening External Debt Balance		
Public Works Loans Board (PWLB)	241.383	4.470
Lender's Option Borrower's Options (LOBOs) ²	25.000	3.910
Money Market Loans	5.000	3.950
TOTAL EXTERNAL DEBT	271.383	
2025/26 Average Forecast Cash Balance		
Average In-House Cash	303.534	
Average Externally Managed	101.006	
TOTAL INVESTMENTS	404.540	

15. The average forecast cash balance for 2025/26 is comprised of the following:

	Average Balance £m
Earmarked Reserves	161.900
Unusable Dedicated Schools Grant Reserve	-81.900
Capital and Developer Contributions	399.392
General & School Balances	57.091
Cashflow and Working Capital Adjustments	154.184
Internal Borrowing	-291.923
Provisions and Deferred Income	5.796
TOTAL	404.540

Prospect for Interest Rates

16. The council's TMST, taking into account the advice from Link Treasury Services, market implications and the current economic outlook, have determined the interest rates to be included in the Strategic Measures budget for 2025/26 and over the medium term. TMST forecast that the bank rate will start the year at 4.50% and slowly drop to between 3.75% - 3.50% by the end of 2025/26. The bank rate is then forecast to continue to drop to 3.00% over the medium term.
17. The TMST team has agreed that based on the current portfolio of deposits and market rates, the target in-house rate of return should be as set out below. These rates have been incorporated into the strategic measures budget estimates for interest receivable and reflect the mix of rates expected to be achieved on existing and new deposits:

2025/26	3.25%
2026/27	3.00%
2027/28 - 2029/30	2.50%

Borrowing Strategy

² See paragraphs 27 & 28 for detail

18. The council's Capital Programme Financing Principles require the application of capital grants, developer contributions, capital receipts and revenue contributions to fund capital expenditure. Prudential borrowing will only be considered where:
 - i. there is a robust invest to save model; or
 - ii. the council has a significant unmet capital need; or
 - iii. It contributes towards the overall investment approach
19. The Capital Financing Requirement (CFR) sets out the council's requirement to prudentially borrow for capital purposes. This borrowing can either be met through external loans or by temporarily using existing cash balances held by the council.
20. The council's chief objective when borrowing money externally is to strike an appropriate balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.
21. Borrowing rates are forecast to fall from a high of 5.50% in December 2024 to 3.80% over the medium term.
22. External borrowing taken out by the council is expected to fall well below the CFR by 2029/30 due to increased capital expenditure and £85m of debt repayments by that point.
23. Given the high level of balances and the forecast for borrowing rates to reduce in the medium term, the council's TMST have agreed that the council should maintain the option to fund new or replacement borrowing through internal borrowing. The limit of internal borrowing will be combined with the long term lending limit, and will not exceed £450m in 2025/26.
24. Based on current forecast of balances and the proposed extra £65m borrowing for structural maintenance, the council may be required to externalise some debt from 2026/27 onwards.
25. The proposed extra borrowing of £65m for structural maintenance will have an ongoing annual revenue cost of £4.2m.
26. The TMST monitor the borrowing rates on a daily basis. If changes in interest rate forecasts mean the policy to borrow internally is no longer in the short term or long-term interests of the council, the TMST may agree to take out new or replacement borrowing to give the council certainty of costs over the long term, and to reduce Interest Rate Risk and Refinancing Risk in the short to medium term. Any increase in borrowing costs as a result of new external borrowing will be offset by an increased return of interest on balances. Any new external borrowing will be reported to Cabinet.
27. The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board and any successor body
 - UK local authorities
 - any institution approved for investments (see below)
 - any other bank or building society authorised by the Prudential Regulation Authority to operate in the UK
 - UK public and private sector pension funds
 - capital market bond investors
 - special purpose companies created to enable joint local authority bond issues
 - community municipal investments
28. The council has historically set a maximum limit of 20% of the debt portfolio to be borrowed in the form of Lender's Option Borrower's Option (LOBOs). As at 31 December 2024 LOBOs represent 16.6% of the total external debt. This compares to 14.1% of the total external debt in 2024/25. The council has no intention of entering into any new LOBO arrangements, however as the level of PWLB debt is due to fall over the medium term, the percentage of LOBOs compared to total external debt will increase. Therefore, it is recommended that the limit for 2025/26 remains at 20%.
29. The council has two £5m LOBOs with call options in 2025/26, one of which has two call options in year, with the second having a single call option in year. At each call date, the lender may choose to exercise their option to change the interest rate payable on the loan. If the lender chooses to do so, the council will evaluate alternative financing options before deciding whether or not to exercise the borrower's option to repay the loan or to accept the new rate offered. It is likely that if the rate is changed the debt will be repaid. The TMST have agreed that if the new proposed rate is higher than the equivalent PWLB certainty rate, it's default position will be to repay the loan without penalty.

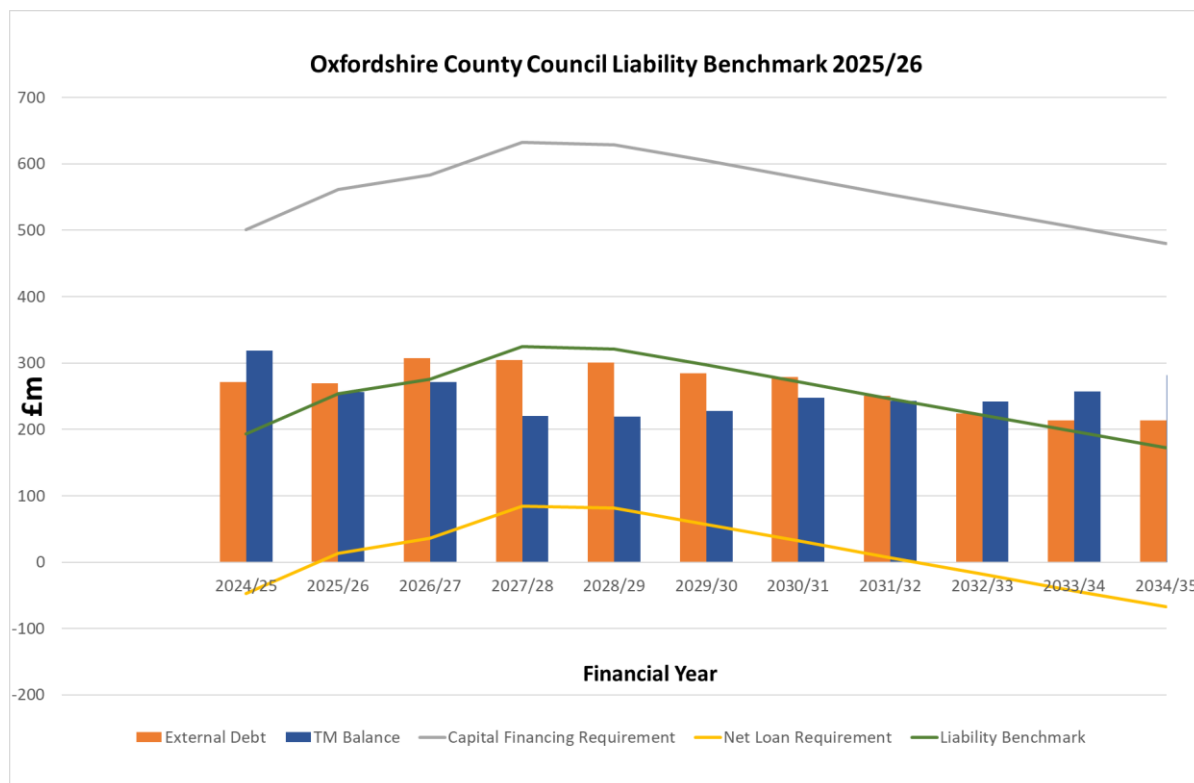
Prudential Indicators

30. The Prudential Code for Capital Finance in Local Authorities 2021 requires the council to set and monitor against Prudential Indicators in the following categories:
- Prudence – Capital Expenditure & External Debt
 - Affordability
 - Treasury Management
31. This report includes the indicators for Treasury Management. The indicators for Prudence and Affordability are included in the Capital & Investment Strategy agreed by Council.

Liability Benchmark

32. This indicator identifies the minimum future borrowing needs, compared to the capital financing requirement compared to the actual level of external debt.

33. The gap between the capital financing requirement and the minimum borrowing requirement³ represents the maximum amount of financing that can be temporarily funded through internal borrowing. Based on the assessment below the council could internally borrow up to £300m in 2025/26. The forecast internal borrowing position for 2025/26 is £291m.



Upper and lower limits to maturity structure of fixed rate borrowing

34. This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.
35. It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.
36. LOBOs are classified as maturing on the next call date, this being the earliest date that the lender can require repayment.

³ The minimum borrowing requirement is calculated by taking the capital financing requirement, netting off usable reserves and working capital, and adding on a liquidity allowance.

Maturity structure of fixed rate borrowing during 2025/26	Lower Limit %	Upper Limit %	2025/26 Forecast %
Under 12 months	0	20	0.74
12 months and within 24 months	0	25	12.53
24 months and within 5 years	0	35	16.72
5 years and within 10 years	5	40	26.16
10 years and above	25	95	43.85

37. Prudential Indicators are reported to and monitored by the TMST on a regular basis and will be reported to the Audit & Governance Committee and Cabinet in the quarterly Treasury Management reports and the Treasury Management Annual Performance Report.

Annual Investment Strategy

38. The council complies with all relevant treasury management regulations, codes of practice and guidance. The council's investment priorities are:

- The security of capital and
- The liquidity of its investments

39. The council also aims to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The borrowing of monies purely to invest or on-lend and make a return is unlawful and the council will not engage in such activity.

40. The Treasury Management Code of Practice requires the Council to approve a Treasury Management Policy Statement. Good practice requires that this statement is regularly reviewed and revised as appropriate. Council approved the statement in February [2019](#). The statement is reviewed annually and there are no revisions proposed for 2025/26.

Investment Instruments

41. Investment instruments identified for use in the 2025/26 financial year are set out in the Specified and Non-Specified instrument tables below:

Specified Investment Instrument	Minimum Credit Criteria	Use
Term Deposits – UK Government	N/A	In-house
Term Deposits – other Local Authorities	N/A	In-house
Debt Management Agency Deposit Facility	N/A	In-house and Fund Managers
Treasury Bills	N/A	In-house and Fund Managers
UK Government Gilts	N/A	In-house on a buy and hold basis and Fund Managers
Term Deposits – Banks and Building Societies	Short-term F1, Long-term BBB+, Minimum Sovereign Rating AA+	In-house and Fund Managers
Certificates of Deposit issued by Banks and Building Societies	A1 or P1	In-house on a buy and hold basis and Fund Managers
Money Market Funds	AAA	In-house and Fund Managers
Other Money Market Funds and Collective Investment Schemes ⁴	Minimum equivalent credit rating of A+. These funds do not have short-term or support ratings.	In-house and Fund Managers
Reverse Repurchase Agreements - maturity under 1 year from arrangement and counterparty is of high credit quality (not collateral)	Long Term Counterparty Rating A-	In-house and Fund Managers
Covered Bonds – maturity under 1 year from arrangement	Minimum issue rating of A-	In-house and Fund Managers

⁴ I.e., credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

42. Guidance states that specified investments are those requiring “minimal procedural formalities”. The placing of cash on deposit with banks and building societies ‘awarded high credit ratings by a credit rating agency’, the use of Money Market Funds (MMFs) and investments with the UK Government and local authorities qualify as falling under this phrase as they form a normal part of day to day treasury management.
43. Money market funds (MMFs) will be utilised, but good treasury management practice prevails and whilst MMFs provide good diversification the council will also seek to diversify any exposure by using more than one MMF where practical. It should be noted that while exposure will be limited, the use of MMFs does give the council exposure to institutions that may not be included on the approved lending list for direct deposits. This is deemed to be an acceptable risk due to the benefits of diversification. The Treasury team use an online portal to provide details of underlying holdings in MMFs. This enables more effective and regular monitoring of full counterparty risk.
44. All specified investments will be sterling denominated, with maturities up to a maximum of 1 year, meeting the ‘high’ credit rating criteria where applicable.
45. Non-specified investment products are those which take on greater risk. They are subject to greater scrutiny and should therefore be subject to more rigorous justification and agreement of their use in the Annual Investment Strategy; this applies regardless of whether they are under one-year investments and have high credit ratings.
46. A maximum of 50% of internal investments, and 100% of external investments will be held in non-specified investments.

Non-Specified Investment Instrument	Minimum Credit Criteria	Use	Max Maturity Period
Term Deposits – other Local Authorities (maturities in excess of 1 year)	N/A	In-house	5 years
UK Government Gilts with maturities in excess of 1 year	N/A	In-house and Fund Managers	5 years in-house, 10 years fund managers
Collective Investment Schemes ⁵ but which are not credit rated	N/A	In-house and Fund Managers	Pooled Funds do not have a defined maturity date

⁵ Pooled funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

Non-Specified Investment Instrument	Minimum Credit Criteria	Use	Max Maturity Period
Registered Providers	As agreed by TMST in consultation with the Leader and the Cabinet Member for Finance	In-house	5 years
Term Deposits – Banks and Building Societies (maturities in excess of 1 year)	Short-term F1+, Long-term AA-	In-house and Fund Managers	3 years
Structured Products (e.g. Callable deposits, range accruals, snowballs, escalators etc.)	Short-term F1+, Long-term AA-	In-house and Fund Managers	3 years
Bonds issued by Multilateral Development Banks	AAA	In-house and Fund Managers	25 years
Bonds issued by a financial institution which is guaranteed by the UK Government	AA	In-house and Fund Managers	5 years in-house
Sovereign Bond Issues	AAA	In-house on a buy and hold basis. Fund Managers	5 year in-house, 30 years fund managers
Reverse Repurchase Agreements - maturity in excess of 1 year, or/and counterparty not of high credit quality.	Minimum long-term rating of A-	In-house and Fund Managers	3 years
Covered Bonds	AAA	In-house and Fund Managers	20 years

Changes to Instruments

47. There are no proposed changes to instruments

Credit Quality

48. The CIPFA Code of Practice on Treasury Management (2021) recommends that councils have regard to the ratings issued by the three major credit rating agencies (Fitch, Moody's and Standard & Poor's) and to make decisions based

on all ratings. Whilst the council will have regard to the ratings provided by all three ratings agencies, the council uses Fitch ratings as the basis by which to set its minimum credit criteria for deposits and to derive its maximum counterparty limits. Counterparty limits and maturity limits are derived from the credit rating matrix as set out in the tables at paragraphs 59 and 61 respectively.

49. The TMST may further reduce the derived limits due to the ratings provided by Moody's and Standard & Poor's or as a result of monitoring additional indicators such as Credit Default Swap rates, share prices, Ratings Watch & Outlook notices from credit rating agencies and quality Financial Media sources.
50. Notification of any rating changes (or ratings watch and outlook notifications) by all three ratings agencies are monitored daily by a member of the Treasury Management Team. Updates are also provided by the council's Treasury Management advisors Link Treasury Services and reported to TMST. Appropriate action will be taken for any change in rating.
51. Where a change in the Fitch credit rating places a counterparty on the approved lending list outside the credit matrix (as set out in tables at paragraphs 59 and 61), that counterparty will be immediately removed from the lending list.
52. The Authority defines "high credit quality" organisations as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher with the Fitch ratings agency.
53. Prior to lending to other local authorities, due diligence is undertaken on their financial resilience. The council will not arrange investments with local authorities that are deemed to have poor financial management and/or standing, or whose operations are deemed to be inconsistent with the council's priorities.

Liquidity Management

54. The council forecasts its cash flow to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the council's medium term financial plan and cash flow forecast. The council uses instant access bank deposit accounts and money market funds for balances forecast to be required at short notice to meet commitments due. The TMST will continue to monitor options available to maintain the required liquidity and will open new accounts with approved counterparties as appropriate.

Lending Limits

55. In addition to the limits determined by the credit quality of institutions, the TMST apply further limits to mitigate risk by diversification. These include:

- Limiting the amount lent to banks in any one country (excluding the UK) to a maximum of 20% of the investment portfolio.
 - Limiting the amount lent to any bank, or banks within the same group structure to 10% of the investment portfolio.
 - Actively seeking to reduce exposure to banks with bail in risk
56. Where the council has deposits on instant access, this balance may temporarily exceed the 10% bank or group limit. However, the limits as set out in paragraphs 59 and 61 will still apply.
57. Counterparty limits as set out in paragraphs 59 and 61, may be temporarily exceeded by the accrual and application of interest amounts onto accounts such as call accounts, money market funds or notice accounts. Where the application of interest causes the balance with a counterparty to exceed the agreed limits, the balance will be reduced when appropriate, dependent upon the terms and conditions of the account and cashflow forecast.
58. Any changes to the approved lending list will be reported to Cabinet as part of the Business Management and Monitoring Report.
59. The council also manages its credit risk by setting counterparty limits. The matrix below sets out the maximum proposed limits for 2025/26. The TMST may further restrict lending limits dependent upon prevailing market conditions. BBB+ to BBB- ratings is included for overnight balances with the council's bank, currently Lloyds Bank Plc. This is for practical purposes should the bank be downgraded.

LENDING LIMITS - Fitch Rating	Short Term Rating	
Long Term Rating	F1+	F1
AAA	£30m	£20m
AA+	£30m	£20m
AA	£25m	£15m
AA-	£25m	£15m
A+	£20m	£15m
A	£20m	£15m
A-	£15m	£10m
BBB+, BBB, BBB- (bank with which the Council has its bank account)	£20m	£20m

60. The maximum lending limit to other Local Authorities is £30m per Authority. The maximum lending limit for AAmmf rated Money Market Funds is £25m.
61. The council also manages its counterparty risk by setting maturity limits on deposits, restricting longer term lending to the very highest rated counterparties. The table below sets out the maximum approved limits. The TMST may further restrict lending criteria in response to changing market conditions.

MATURITY LIMITS – Fitch Rating	Short Term Rating	
Long Term Rating	F1+	F1
AAA	3 years	364 days
AA+	2 years	364 days
AA	2 years	9 months
AA-	2 years	9 months
A+	364 days	9 months
A	9 months	6 months
A-	6 months	3 months
BBB+, BBB, BBB- (bank with which the Council has its bank account)	Overnight	Overnight

External Funds

62. The council uses external fund managers and pooled funds to diversify the investment portfolio through the use of different investment instruments, investment in different markets, and exposure to a range of counterparties. It is expected that these funds should outperform the council's in-house investment performance over a rolling three-year period. The council will have no more than 50% of the total portfolio invested with external fund managers and pooled funds (excluding MMFs). This allows the council to achieve diversification while limiting the exposure to funds with a variable net asset value. And, in order to ensure appropriate diversification within externally managed and pooled funds these should be diversified between a minimum of two asset classes.
63. As at 30 November 2024, the council had £99m (original purchase value of £101m) invested in external funds (excluding MMFs), representing 18% of the council's total investment portfolio. Whilst market volatility has seen the capital value fluctuate, they are held with a long term view, and there is no intention to divest from any of the funds at present.
64. The IFRS9 Statutory Override, which mandates that fluctuations in the value of pooled fund investments are taken to the balance sheet, is ending on 31 March 2025. From 1 April 2025 fluctuations in the fund value are therefore reflected in the revenue account. To mitigate against any reduction in value, a ringfenced IFRS9 reserve has been created in 2024/25 with funding of £5.0m. Options to increase the funding available in this reserve are being considered as part of the Budget & Business Planning process. If the value of the funds is below the purchase price at the balance sheet date, funds will be released from the reserve to ensure that there is no net impact to the revenue account. Similarly, if the fund value is above the purchase price at the balance sheet date, any unrealised gain will be transferred to the IFRS9 reserve. It would only be appropriate to release such gains to the revenue account when the funds are divested from and gains are crystallised.
65. The external funds have a targeted income return of 3.75% which has been incorporated into the medium term financial strategy.

66. The performance of the pooled funds is monitored by the TMST throughout the year against the funds' benchmarks and the in-house investment returns. The TMST will keep the external fund investments under review and consider alternative instruments, fund structures and the proportion of external funds to cash balances, to manage overall portfolio risk. It is recommended that authority to withdraw, or advance additional funds to/from external fund managers, continue to be delegated to the TMST.

Investment Approach

67. The TMST will aim to maintain the balance between internal borrowing to temporarily finance the CFR, with short and medium term deposits with high credit quality financial institutions. Money Market Funds will continue to be utilised for instant access cash. This approach will reduce the interest receivable on balances compared with a strategy with a higher level of long term investments, but this will be offset by saving on borrowing costs in the short to medium term whilst borrowing costs remain relatively high.

Treasury Management Indicators for Investments

Upper limit to total of principal sums invested longer than 364 days

68. The purpose of this limit is to contain exposure to the risk of loss that may arise as a result of the Authority having to seek early repayment of the sums invested.
69. The long term lending limit is based on 50% of the forecast average cash balance. Based on forecast balances reducing to £250m over the medium term, the proposed limits for investments longer than 364 days is set out below:

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Upper limit on principal sums invested longer than 364 days	150	150	140	100	100

Policy on Use of Financial Derivatives

70. The council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

71. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
72. It is the view of the TMST that the use of standalone financial derivatives will not be required for Treasury Management purposes during 2025/26. The council will only use derivatives after seeking expertise, a legal opinion and ensuring officers have the appropriate training for their use.

Performance Monitoring

73. The council will monitor its Treasury Management performance against other authorities through its membership of the CIPFA Treasury Management benchmarking club.
74. Link Treasury Services benchmark the performance of their clients against each other on a quarterly basis, looking at a variety of indicators including investment risk and returns.
75. Latest performance figures will be reported to the Audit & Governance Committee and Cabinet in the quarterly Treasury Management reports and the Treasury Management Annual Performance Report.

Treasury Management Training

76. All members of the Treasury Management Strategy Team are members of CIPFA or other professional accounting bodies. In addition, key treasury management officers receive in-house and externally provided training as deemed appropriate and training needs are regularly reviewed, including as part of the staff appraisal process.
77. The council has opted up to 'professional client' categorisation with under the second Markets in Financial Instruments Directive (MiFID II). In order to achieve this, evidence was required that the person(s) authorised to make investment decisions on behalf of the authority have at least one year's relevant professional experience and the expertise and knowledge to make investment decisions and understand the risks involved. Members of the TMST currently meet these criteria and training needs will be regularly monitored and reviewed to ensure continued compliance.

Financial Implications

78. Interest payable and receivable in relation to Treasury Management activities are included within the overall Strategic Measures budget. In house interest receivable for 2025/26 is budgeted to be £10.42m.
79. Dividends payable from external funds in 2025/26 are budgeted to be £3.81m.

80. Interest payable on external debt in 2025/26 is budgeted to be £12.00m.

81. Comments checked by:

Kathy Wilcox, Head of Corporate Finance, Financial & Commercial Services
kathy.wilcox@oxfordshire.gov.uk

Legal Implications

82. There are no direct legal implications arising from this report save for the need for ongoing collaborative working between the S151 Officer and the Monitoring Officer. CIPFA guidance promotes the need for consultative working and collaboration between these respective roles to promote good organisational governance.

83. The duties of a local authority in relation to Treasury Management are set out in Local Government 2003 as set out in paragraph 8 and 9 above. In addition, the responsibilities of a local authority in monitoring its treasury management are set out in The Treasury Management Code of Practice introduced in 2001/02. Local authorities are required to “have regard” to the code in setting up and approving their Treasury Management arrangements. The Treasury Management Code and the Prudential Code, form two parts of what is known as the Prudential Framework. This includes statutory guidance published by the then Ministry of Housing Communities and Local Government (MHCLG) - Guidance on Local Authority Investments and the Guidance on Minimum Revenue Provision which comes into effect from 1 April 2025. The latest versions of the above codes and guidance have been considered in setting the Treasury Management Strategy for 2025/26.

84. The functions of the Audit and Governance Committee include the monitoring of the system for Treasury Management. (Council Constitution Part 5.1A paragraph 1(a) 6)).

85. Comments checked by:

86. Paul Grant, Head of Legal & Deputy Monitoring Officer, Law & Governance,
paul.grant@oxfordshire.gov.uk

Staff Implications

87. The report does not create any staffing implications.

Equality & Inclusion Implications

88. There are no equality or inclusion implications arising from the report.

Sustainability Implications

89. This report is not expected to have any negative impact with regards to the Council's zero carbon emissions commitment by 2030.
90. The Treasury Management Strategy Team will consider investments that may make a positive contribution to the Council's carbon commitment when appropriate opportunities become available. The TMST will continue to explore ethical, sustainable and good governance (ESG) investment practices.
91. Where the Council has investments in externally managed funds, each of the fund managers is a signatory to the United Nations Principal for Responsible Investment.
92. Furthermore, the Council will not knowingly invest directly in organisations whose activities include practices which are inconsistent with the values of the Council or the Council's zero carbon emissions commitment by 2030.
93. The Treasury Management function is now completely paperless and working in line with the council's agile working policy with a mix of office based and remote working.

LORNA BAXTER

Executive Director of Resources & Section 151 Officer

Annex: Annex 1 External View from Link Treasury Services.

Background Papers: Nil

Contact Officer: Tim Chapple, Treasury Manager,
tim.chapple@oxfordshire.gov.uk

January 2025

Annex 1

External view by Link Treasury Services

LINK TREASURY SERVICE INTEREST RATE FORECASTS 2023-2026

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

PWLB forecasts are based on PWLB certainty rates.

ECONOMIC BACKGROUND PROVIDED BY LINK TREASURY SERVICES

- Following the 30 October Budget, the outcome of the US Presidential election on 6 November, and the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) on 7 November, we have significantly revised our central forecasts for the first time since May. In summary, our Bank Rate forecast is now 50bps – 75bps higher than was previously the case, whilst our PWLB forecasts have been materially lifted to not only reflect our increased concerns around the future path of inflation, but also the increased level of Government borrowing over the term of the current Parliament.
- If we reflect on the 30 October Budget, our central case is that those policy announcements will be inflationary, at least in the near-term. The Office for Budgetary Responsibility and the Bank of England concur with that view. The latter have the CPI measure of inflation hitting 2.5% y/y by the end of 2024 and staying sticky until at least 2026. The Bank forecasts CPI to be 2.7% y/y (Q4 2025) and 2.2% (Q4 2026) before dropping back in 2027 to 1.8% y/y.
- The anticipated major investment in the public sector, according to the Bank, is expected to lift UK real GDP to 1.7% in 2025 before growth moderates in 2026 and 2027. The debate around whether the Government's policies lead to a material uptick in growth primarily focus on the logistics of fast-tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy.
- There are inherent risks to all the above. The worst-case scenario would see systemic blockages of planning permissions and the inability to identify and resource the additional workforce required to deliver large-scale IT, housing and infrastructure projects. This would lead to upside risks to inflation, an increased prospect of further Government borrowing & tax rises, and a tepid GDP performance.
- Our central view is that monetary policy is sufficiently tight at present to cater for some further moderate loosening, the extent of which, however, will continue to be data dependent. We forecast the next reduction in Bank Rate to be made in February and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the release of the Bank's Quarterly Monetary Policy Reports (February, May, August and November).
- Any movement below a 4% Bank Rate will, nonetheless, be very much dependent on inflation data in the second half of 2025. The fact that the November MPC rate cut decision saw a split vote of 8-1 confirms that there are already some concerns around inflation's stickiness, and with recent public sector wage increases beginning to funnel their way into headline average earnings data, the market will be looking very closely at those releases.
- Regarding our PWLB forecast, the short to medium part of the curve is forecast to remain elevated over the course of the next year, and the degree to which rates moderate will be tied to the arguments for further Bank Rate loosening or otherwise. The longer part of the curve will also be impacted by inflation factors, but there is also the additional concern that with other major developed

economies such as the US and France looking to run large budget deficits there could be a glut of government debt issuance that investors will only agree to digest if the interest rates paid provide sufficient reward for that scenario.

- So far, we have made little mention of the US President election. Nonetheless, Donald Trump's victory paves the way for the introduction/extension of tariffs that could prove inflationary whilst the same could be said of further tax cuts and an expansion of the current US budget deficit. Invariably the direction of US Treasury yields in reaction to his core policies will, in all probability, impact UK gilt yields. So, there are domestic and international factors that could impact PWLB rates whilst, as a general comment, geo-political risks abound in Europe, the Middle East and Asia.

Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, but the risks to our forecasts are to the upsides. Our target borrowing rates are set **two years forward** (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB debt	Current borrowing rate as at 11.11.24 p.m.	Target borrowing rate now (end of Q3 2026)	Target borrowing rate previous (end of Q3 2026)
5 years	5.02%	4.30%	3.90%
10 years	5.23%	4.50%	4.10%
25 years	5.66%	4.90%	4.40%
50 years	5.42%	4.70%	4.20%

Division: **ALL**

AUDIT AND GOVERNANCE COMMITTEE – 15 January 2025

ANNUAL GOVERNANCE STATEMENT 2023/24 – UPDATE ON ACTIONS

Report by the Director of Law & Governance and Monitoring Officer

RECOMMENDATION

1. **The Committee is RECOMMENDED to receive this update on the actions from the Annual Governance Statement 2023/24 and to make any comment upon them.**

Executive summary

2. On 17 July 2024, this Committee approved the Annual Governance Statement (AGS) for the year 2023/24. Local authorities are required to prepare an AGS to be transparent about their compliance with good governance principles and to give an opinion on the effectiveness of those arrangements. As part of the process, authorities are expected to highlight areas of focus for the year following.
3. The Head of Legal and Deputy Monitoring Officer presented an update to Committee on 27 November 2024 on the seven areas of focus identified in the AGS 2023/24 for action in 2024/25. This report to Committee is therefore a report on only those actions where an additional update is required.

Annual Governance Statement actions for 2024/25

4. The seven actions were:

Service area	Action
A. Constitution Working Group	To establish a member working group to work alongside the officer working group
B. HR policies to be reviewed and updated for 2024/2025	<ul style="list-style-type: none">• Organisational Change policy• Redeployment policy• Redundancy procedure Fixed Term /Temporary contracts of employment policy• TUPE guidance Pensions and Retirement policy

C. Directorate level Schemes of Delegation	To continue with the review and update of the Directorate Schemes of Delegation.
D. Further consideration of the Information Commissioner's Office's (ICO) expectations when handling Freedom of Information and Environmental Information Regulation requests.	The Customer Feedback team (FOI Officers) to work with the Corporate Governance Team on increasing awareness within the Council on the correct application of the legislation; improving the handling and, the quality of responses, to requests.
E. Current CCTV & intruder alarm monitoring arrangements.	To review.
F. Members' and Officers' fiduciary responsibilities and accountability, and legal status in respect of outside bodies including indemnities.	To review.
G. Proactive Training for Governance	Governance sessions to raise awareness and skills level within the Organisation to be carried out by the Head of Governance and Head of Legal.

UPDATES

A. Constitution Working Group

5. The Constitution Working Group has been meeting on a regular basis since November 2024. The Constitution Working Group considers recommendations made by officers for changes to parts of the Constitution, and also proposes its own changes and areas of the Constitution for review. Officers meet to work on those Member's proposals and prepare amendments to the relevant parts of the Constitution as well as making recommendations of their own.
6. Amendments which are agreed by the Constitution Working Group will come forward to the Audit and Governance Committee for formal consideration and recommendation on to Council for approval. At its December meeting, Council considered and approved amendments to the Financial Procedure Rules and Financial Regulations which had followed this route. Other amendments to parts of the Constitution are anticipated to come to the next meeting of the Audit and Governance Committee.

B. HR Policies

7. Five of the six identified policies have been reviewed and published. Details of these policies were reported to Committee at the November 2024 meeting.
8. The Fixed Term/Temporary contracts of employment policy is pending approval. There was a delay in completing the review of this policy due to changes in organisational priority. Date for completion remains as January 2025, as reported to Committee in November 2024.

C. Directorate level Schemes of Delegation

9. The Head of Legal Services and Deputy Monitoring Officer has met with colleagues in HR and Finance to consider their updates to schemes of delegation which will form the greater part of individual Directorate schemes. This will enable the production of a pro forma scheme of delegation which can be provided to individual Directorates and meetings will then be arranged for Governance officers and Directors/Deputy Directors as necessary to support them in producing final schemes of delegation.

D. Further consideration of the Information Commissioner's Office (ICO) expectations when handling Freedom of Information and Environmental Information Regulation requests.

10. No further update, please refer to the previous report presented to the Committee on 27 November 2024.

E. Full review of current CCTV & intruder alarm monitoring arrangements.

11. No further update, please refer to the previous report presented to the Committee on 27 November 2024.

F. Review of Members' and Officers' fiduciary responsibilities and accountability, and legal status in respect of outside bodies including indemnities.

12. As reported in November 2024, this will be reviewed by 31 March 2025.

G. Proactive Training for Governance

13. In addition to the update presented to Committee on 27 November 2024, key officers have been booked onto CIPFA's Whistleblowing eLearning training. Colleagues have been asked that they aim to complete the training by 31 January 2025. Completion will be overseen by line managers, and the

Governance Team will hold a central record for all officers.

14. Invitations will shortly be sent out to Members for a training session in January/February 2025 to provide an update on Members' Interests, Bias and Predetermination and the Government's consultation on a national standards regime.

Financial implications

15. There are no direct financial implications directly relating to, or arising from, the recommendation in this report.

Checked by: Drew Hodgson, Strategic Finance Business Partner
drew.hodgson@oxfordshire.gov.uk

Legal implications

16. The Council has a legal duty to agree an Annual Governance Statement. This report does not itself raise legal implications but is an update on the actions arising from last year's AGS and is consistent with the responsibility of this Committee to ensure the effectiveness of the Council's governance.

Checked by: Paul Grant, Head of Legal, & Deputy Monitoring Officer
paul.grant@oxfordshire.gov.uk

Equality and inclusion implications

17. The recommendations in this report do not themselves raise equality implications. However, the effectiveness and inclusivity of the Council's governance arrangements are integral to the effective running of the Council and of the outcomes for the community.

Anita Bradley

Director of Law and Governance & Monitoring Officer

Contact Officer Sarah Smith, Senior Governance Lead
governance@oxfordshire.gov.uk

January 2025

Scale of Election Expenses 2025/26

Report by Director of Law & Governance and Monitoring Officer

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the Scale of Election Expenses for the financial year 2025/26, as shown in the Annex to this report, for the election of County Councillors and any other poll associated with the County Council during the year.**

Executive Summary

2. The County Returning Officer, Martin Reeves, is responsible for the conduct of the County Council elections and by-elections. The expenditure properly incurred by the Returning Officer is paid by the Council and, as such, a scale of expenses is set as a guide to such expenditure. The scale of expenses set out in the Annex would be applicable to the County Council Elections, which will be held on Thursday, 1 May 2025, as well as any by-elections which may need to be held within the 2025/26 financial year.
3. In accordance with the Council's practice, a review has been undertaken in consultation with the County, City and District Council election specialists in Oxfordshire who assist the Returning Officer in running the County Council's elections and by-elections. The Districts' will use this scale when acting on behalf of the Returning Officer and are generally mindful of the County Council's scale of expenses when setting their own scales of expenses, including any by-elections held within the financial year 2025/26.
4. The scale is brought to the Committee in the interests of transparency for this area of election governance.

Purpose of the Scale of Expenses

5. The purpose of the scale of expenses is to set out the amounts that can be charged for organising and running county council elections and by-elections. In practice, this means that these are the amounts that the City and District Councils will claim back from the County Council for running the County Council elections on its behalf.

Levels for 2025-26

6. The proposed figures for 2025/26 are shown in bold alongside the amounts which were agreed for 2024/25.

The main changes

7. As in previous years, a cost of living award has been applied to fees. For 2025/26 an approximate 2.5% uplift has been applied to the flat-rate fees, which is the amount used to uplift all NJC Allowances for 2024.
8. This level of up-lift has been applied to the Uncontested Election Fees and Disbursements (Part I, Sections 1-6) and the Fees for Contested Elections for Returning Officer and Deputy Returning Officers (Part II, Sections 7-9), in line with the NJC pay award hourly rates, as the national pay award was of fixed amount rather than a percentage base increase. These fees are not covered by the Pay Bands for poll staff.
9. The Oxford Living Wage has been set at £13.16 per hour for 2025/26. The election specialists were also mindful of the Pay Bands which have been published by the Ministry of Housing, Communities and Local Government (MHCLG) for any National Elections for the period 2025/26. The annexed table details which of the suggested fees have been increased in line with the pay award, meet the requirements of the Oxford Living Wage and/or also fall within the bands published by MHCLG.
10. The County Council's Scale of Fees is adopted by the City Council and some of the district councils, some of who will continue to have electoral wards with more than one elected member. The County Council will move to a system of single-member divisions with effect from May 2025. The need for a fee for 2-member divisions has therefore been removed and a single fee per vacancy provided, which meets the needs of County Council elections moving forwards.
11. The wording of the fee paid to the Returning Officer and Deputy Returning Officers (Parts IA, Sections 1 & 2 and Part IIA, Sections 7, 8 and 9), has been amended so that the fee is payable for "each vacancy in an electoral division", rather than for "each electoral division" to reflect this. The Disbursements payable at Part IB Sections 3 and 4, and Part IIA Sections 7 and 8, have also been amended to the same effect.
12. The election specialists noted that the existing fee paid to Presiding Officers (Part IIB, Section 10) was lower than the proposed Pay Band figures, and has been increased to £280.00, which breaks down to provide an hourly rate of £17.50, on the basis of 16 hours to staff polls.
13. The existing fee paid to Poll Clerks (Part IIB, Sections 11 and 12) was noted to be within the Pay Band, but at the lower end of the scale at £12.50 per hour and below the Oxford Working Wage. This has been increased to an hourly rate of £13.75, which will provide a fee of £220.00 and maintain a degree of parity to the fee of the Presiding Officers.
14. The fee payable at Part IIB, Section 14 for the training of presiding officers and poll clerks is viewed as being a combined fee for the training of staff and the collection of ballot boxes by poll staff. This has been increased in line with the pay award and is also within the combined banding of the MHCLG fee banding.
15. Fees payable to Count Staff (Part IIB, Sections 15-18) have been increased in line with the pay award and remain in line with the banding of fees supplied by

MHCLG. The overnight rates of pay also comply with advice from MHCLG with regards to weekend working.

16. The fee for the issue and receipt of postal ballot papers (Part IIB, Section 24) was raised to £0.90 per postal vote last year. . The districts and city councils manage this process using differing approaches, and have requested that the fee remain on a per-vote basis, rather than an hourly rate, which will allow greater flexibility for these processes to be carried out in a manner of their own choosing, and in turn set their own hourly fees to staff employed directly where appropriate.
17. The annual increases are shown as **bold** figures alongside last year's amounts. The City and District Councils have confirmed that the proposed scale of fees is pragmatic for the running of elections on the County Council's behalf and is consistent with their recent experience. As such, the scale of expenses will be effective in supporting the Returning Officer in achieving a robust, resourced and cost-effective by-election should it be necessary.

Financial Implications

18. A separate budget is maintained for electoral expenditure, which is built up over time towards the County Council elections in an election reserve. Ordinarily in the year the County Council elections are scheduled, they are a standalone election which means the County Council must meet the full cost.

Legal Implications

19. Under the Representation of the People Act 1983 Section 36(4) the Council may set a scale of election expenses, and the Annexed scheme accords with this. This responsibility lies with the Returning Officer and this report is brought to the Committee for the purposes of Transparency.

Equality and Inclusion Implications

20. The setting of a scale of expenses does not in itself involve equality and inclusion implications. However, the levels of expenses included in the scheme have been formulated to ensure that robust arrangements are in place to secure participation by candidates, staff and the public.

Anita Bradley
Director of Law & Governance and Monitoring Officer

Annex: Scale of Elections Fees 2025/2026
Background papers: Nil

Contact Officers: Andrea Newman, Senior Democracy Officer
Telephone: 01865 810283

December 2024

This page is intentionally left blank

OXFORDSHIRE COUNTY COUNCIL

REPRESENTATION OF THE PEOPLE ACT 1983 (SECTION 36(4))

SCALE OF EXPENDITURE FOR ELECTIONS OF COUNTY COUNCILLORS

(Applicable to elections held during period 1 April 2025 to 31 March 2026)

Only the fees and disbursements specified below shall be chargeable. The fees payable to the Returning Officer or their duly appointed Deputy Returning Officer shall include all payments which they make from their fees to other persons by way of remuneration of services undertaken on their behalf.

In no case shall a charge exceed the sum actually and necessarily paid or payable by the Returning Officer. Subject to this the maximum charges are set out in the scale. These fees will apply to County Council elections.

PART I - UNCONTESTED ELECTION

A – FEES	April 2024 – 2025 proposed Fees	April 2025 – March 2026 Proposed Fees	Notes
1. To the Returning Officer, for conducting the election and generally performing the duties required by any enactments relating to the election, other than any duties for which separate fees are provided. For each vacancy in an Electoral Division, a fee of	1-member £55.00 2-member £110.00	£56.50	2.5% - LG pay settlement – rounded up to nearest 0.5
2. To a Deputy Returning Officer appointed for the purposes of conducting and generally performing the duties assigned by the Returning			

Officer, other than duties for which separate fees are provided. For each vacancy in an Electoral Division, a fee of	1-member £38.00 2-member £75.00	£39.00	2.5% - LG pay settlement – rounded up to nearest 0.5
B – DISBURSMENTS	April 2024 – 2025 proposed Fees	April 2025 – March 2026 Proposed Fees	Notes
3. Preparation of poll cards and postal vote cards for supervising the preparation and issue of official poll and postal vote cards. For each vacancy in an Electoral Division, a fee of.....	1-member £22.00 2-member £45.00	£22.50	2.5% - LG pay settlement
4. For the employment of persons for clerical and other assistance. For each vacancy in an Electoral Division	1-member £26.00 2-member £52.00	£26.50	2.5% - LG pay settlement
5. Travelling expenses of the Returning Officer, Deputy Returning Officer and Assistants. Per mile.....	£0.45 (HMRC rate)	£0.45 (HMRC rate)	Complies with MHCLG banding
6. For printing and providing forms, notices and other documents required for the election, including the printing costs, computer charges and all associated costs of producing official poll and postal vote cards, together with advertising expenses, postage, telephone calls and miscellaneous expenses	Actual and necessary cost	No change	

PART II - CONTESTED ELECTION

A – FEES	April 2024 – 2025 proposed Fees	April 2025 – March 2026 Proposed Fees	Notes
7. To the Returning Officer, for conducting the election and generally performing the duties required by any enactments relating to the election, other than any duties for which separate fees are provided. For each vacancy in an Electoral Division, a fee of.....	£115.00 £227.00	£118.00	2.5% - LG pay settlement (rounded to nearest 0.5)
8. To a Deputy Returning Officer appointed for the purposes of conducting and generally performing the duties assigned by the Returning Officer, other than duties for which separate fees are provided. For each vacancy in an Electoral Division, a fee of	£108.00 £217.00	£110.50	2.5% - LG pay settlement (rounded to nearest 0.5)

(If a duly appointed Deputy Returning Officer also carries out the functions specified under Item 9 of this scale, they will be entitled to claim the fees payable under both item 8 and item 9 of the scale)

9. To a Deputy Returning Officer appointed solely for the purposes of rules 44 to 52 of the Local Elections (Principal Areas) (England and Wales) Rules 2006 (or such legislation as may subsequently be enacted), for making			
---	--	--	--

arrangements for counting the votes and declaring the result of the poll. For each vacancy in an Electoral Division, a fee of.....	£72.00 £146.00	£74.00	2.5% - LG pay settlement (rounded to nearest 0.5)
--	-------------------	---------------	--

(A Deputy Returning Officer appointed under this item cannot claim the fee payable under item 14 of this scale)

9A. For each Recount.....	£18.00	£18.50	2.5% - LG pay settlement (rounded to nearest 0.5)
---------------------------	--------	---------------	--

B – DISBURSEMENTS	April 2024 – 2025 proposed Fees	April 2025 – March 2026 Proposed Fees	
10. Presiding Officer, a fee of..... or where a poll is combined with one other Poll a fee of..... or in the event of three or more polls being held at the same time a fee of.....	£251.00 £279.00 £307.00	£280.00 £330.00 £310.00 (% difference) £363.00 £338.00 (% difference)	Complies with MHCLG banding.
11. Poll Clerk, a fee of..... or where a poll is combined with one other Poll, a fee of..... or in the event of three or more polls being held at the same time, a fee of.....	£200.00 £214.00 £228.00	£220.00 £234.50 £229.00 (% difference) £263.00 £243.00 (% difference)	Complies with MHCLG banding & Oxford Living Wage.
<div> <div>69</div> <div>Presiding Officers and Poll Clerks may not include any additional expenses i.e. electricity charges, other than travelling expenses specified in item 23 of this scale, without the prior written express agreement of the (Deputy) Returning Officer.)</div> </div>			
12. An additional poll clerk may be employed full-time or part-time at a polling station at the discretion of the Returning Officer or his duly appointed Deputy Returning Officer, and will be paid the fee payable under Item 11 of this scale, or an appropriate proportionate amount as applicable.			
13. Stand-by staff (Presiding Officers and Poll Clerks) who may be sent to a place of poll within the polling area in the event of emergency. This	£50.00	£51.00	2.5% LG pay settlement – rounded to nearest 0.5

	fee will be replaced by a fee set out at points 10 or 11 should staff be sent to a place of poll.			
	14. For the provision of training for polling station staff, including a payment for staff undertaking the training. This may be used in respect of any payment made for the collection of the ballot box ahead of an election by staff. To be distributed by the Deputy Returning Officer at their discretion. A fee of:.....	£60.00 per presiding officer and poll clerk	£61.50 per presiding officer and poll clerk	2.5% - LG pay settlement – rounded to nearest 0.5 Complies with MHCLG combined banding for training, preparation & delivery banding rates
Page 70	15. Counting Management Team: A fee of (a) for the first hour..... (b) for each half hour thereafter or part thereof..... In respect of overnight working (between the hours of 9.00pm-8.00am) and Saturday working (c) for the first hour..... (d) for each half hour thereafter or part thereof..... <u>Weekend working:</u> Sunday working (e) for the first hour.....	£25.00 £12.50 £37.50 £18.75 £50.00	£25.50 £12.50 £38.50 £19.00 £51.00	2.5% Complies with MHCLG banding 2.5% Complies with MHCLG banding and in line with advice from MHCLG with regards to weekend working rates 2.5% Complies with MHCLG banding and in line with

(f) for each half hour thereafter or part thereof.....	£25.00	£25.50	advice from MHCLG with regards to weekend working rates
<div data-bbox="91 730 136 890" data-label="Page-Footer">Page 71</div> <p>16. Counting/Verification Supervisor: A fee of</p> <p>(a) for the first hour.....</p> <p>(b) for each half hour thereafter or part thereof.....</p> <p>In respect of overnight working (between the hours of 9.00pm-8.00am) and Saturday working</p> <p>(c) for the first hour.....</p> <p>(d) for each half hour thereafter or part thereof.....</p> <p><u>Weekend working:</u> Sunday working</p> <p>(e) for the first hour.....</p> <p>(f) for each half hour thereafter or part thereof.....</p>	<p>£19.50</p> <p>£9.75</p> <p>£29.25</p> <p>£14.62</p> <p>£39.00</p> <p>£19.50</p>	<p>£20.00</p> <p>£10.00</p> <p>£30.00</p> <p>£15.00</p> <p>£40.00</p> <p>£20.00</p>	<p>2.5% % - LG pay settlement – rounded to nearest 0.5 Complies with MHCLG banding</p> <p>2.5% Complies with MHCLG banding and in line with advice from MHCLG with regards to weekend working rates</p> <p>2.5% Complies with MHCLG banding and in line with advice from MHCLG with regards to weekend working rate</p>

Page 72	17. Counting/Verification Assistant Supervisor: A fee of			
	(a) for the first hour.....	£17.50	£18.00	2.5% Complies with MHCLG banding
	(b) for each half hour thereafter or part thereof.....	£8.75	£9.00	
	In respect of overnight working (between the hours of 9.00pm-8.00am) and Saturday working			2.5% Complies with MHCLG banding and in line with advice from MHCLG with regards to weekend working rate
	(c) for the first hour.....	£26.25	£27.00	
	(d) for each half hour thereafter or part thereof.....	£13.12	£13.50	
	<u>Weekend working:</u>			
	Sunday working			2.5% Complies with MHCLG banding and in line with advice from MHCLG with regards to weekend working rate
	(e) for the first hour.....	£35.00	£36.00	
	(f) for each half hour thereafter or part thereof.....	£17.50	£18.00	
	18. Counting/Verification Assistant: A fee of			2.5% Complies with MHCLG banding
	(a) for the first hour.....	£15.00	£15.50	
	(b) for each half hour thereafter or part thereof.....	£7.50	£7.75	
	In respect of overnight working (between the hours of 9.00pm-8.00am) and Saturday working			2.5% Complies with MHCLG banding and in line with advice from MHCLG with regards to weekend working rate
	(c) for the first hour.....	£22.50	£23.00	
	(d) for each half hour thereafter or part thereof.....	£11.25	£11.50	

<p>Weekend working: Sunday working (e) for the first hour..... (f) for each half hour thereafter or part thereof.....</p>	<p>£30.00 £15.00</p>	<p>£31.00 £15.50</p>	<p>2.5% Complies with MHCLG banding and in line with advice from MHCLG with regards to weekend working rate</p>
<p>19. For the employment of persons for clerical and all other assistance other than where separate fees are provided. (County Elections ONLY) For each Electoral Division.....</p>	<p>£147.00 £282.00</p>	<p>£151.00 £289.00</p>	<p>2.5% - LG pay settlement 2.5% - LG pay settlement</p>
<p>20. Preparation and issue of poll cards and postal vote cards, for supervising the preparation and issue of official poll and postal vote cards. (County Elections ONLY) For each Electoral Division, a fee of</p>	<p>£22.00 £44.00</p>	<p>£22.50 £45.00</p>	<p>2.5% - LG pay settlement 2.5% - LG pay settlement</p>

21. To an officer designated by the Returning Officer or his duly appointed Deputy, for inspection and supervision of polling stations, a fee of..... OR where a poll is combined with one other Poll a fee of..... OR in the event of three or more polls being held at the same time, a fee of.....	£300.00 £330.00 £360.00	£307.00 £338.00 £363.00 (% difference) £369.00 £393.00 (% difference)	}2.5% }Complies with MHCLG }banding
22. For preparation of ballot boxes. For each polling station, a fee of.....	£11.00	£11.00 – no change	Complies with MHCLG banding
23. Supervisor for the issue and receipt of postal ballot papers. A fee of: (a) for the first hour..... (b) for each half hour thereafter or part thereof.....	£17.50 £8.75	£18.00 £9.00	2.5% Complies with MHCLG banding
24. For the employment of persons in connection with the issue and receipt of postal ballot papers, the total sum of which to be distributed by the Deputy Returning Officer at their discretion. A fee of.....	£0.90 per postal vote	£0.90 per postal vote No change	Complies with Oxford Living Wage & MHCLG banding
25. Hire of rooms in connection with the issue and receipt of postal ballot papers	Actual and necessary cost	No change	

26.	For travelling expenses of the Returning Officer, Deputy Returning Officer, Polling Staff and Count Staff, and for posting Notices of Election and Notices of Poll. Per mile.....	£0.45 (HMRC rate)	£0.45 (HMRC rate)	
27.	Hire of rooms for the preparation of ballot boxes	Actual and necessary cost	No change	

Page 75	28. For preparing a room for the purpose of a poll, and of a count, and cleaning and reinstating the room (per station) (a) in the case of a school maintained by a local authority, which may be used free of hire charge, the caretaker's fee is to be paid in accordance with the allowances in force in the National Joint Council for Local Government Services National Agreement on Pay and Conditions of Service; or any local agreement; and (b) in any other building.....	Actual and necessary cost	No change	
	29. Heating and lighting (per polling station) ...	Actual and necessary cost	No change	

30.	Conveyance of ballot boxes and voting screens.....	Actual and necessary cost	No change	
31.	Compensation payable in consequence of the cancellation of functions in order to make suitable premises available for use as polling stations or places of count.....	Actual and necessary cost	No change	
32.	For provision of ballot boxes and voting screens, for printing notices, ballot papers and other forms and documents required, including the printing costs, computer charges and all associated costs of producing the official poll and postal vote cards, and for stationery, advertising, postage, telephone calls, bank charges and miscellaneous expenses.....	Actual and necessary cost	No change	

NOTE: Where there is any combination of poll with District or Parish Councillors, wherever appropriate and as far as practicable, the costs are to be shared on an equal basis between the relevant Authorities, unless a particular expense can be allocated to a specific poll.

Returning Officer
January 2025

AUDIT AND GOVERNANCE COMMITTEE

15 JANUARY 2025

CONSULTATION – LOCAL AUDIT STRATEGY

Report by Executive Director Resources and Section 151 Officer

RECOMMENDATION

1. **The Committee is RECOMMENDED to agree to the proposed consultation response outlined in the Annex to this report.**

Executive Summary

2. The Government has launched a statement of intent and consultation on their proposals to overhaul the current local audit system in England. A link to the Government's paper titled "Local Audit Reform – A strategy for overhauling the local audit system in England" that sets out their proposals together with a series of consultation questions is included in the Background Papers section at the end of this report.
3. In the Annex to this report is a document setting out the six areas identified to be reformed, and the proposed responses to the specific consultation questions posed in each of those six areas.

The Consultation

4. The consultation questions are embedded within the strategy document (see background papers) and set out in the annex to this report, along with the proposed responses.
5. The strategy is seeking to address what the Government has identified as three key systemic challenges in the current system - capacity (limited auditors), co-ordination (no clear ownership of the system), and complexity of financial reporting and audit requirements.
6. The English Devolution White Paper set out the Government's intention to legislate to radically streamline and simplify the system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. The strategy, that was launched on 18 December 2024 announces that a new and proportionate Local Audit Office will bring together the following functions of the local audit system:
 - Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
 - Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;

- Setting the Code of Audit Practice;
 - Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
 - Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.
7. The strategy reports to build on the recommendations set out in the “Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting” undertaken by Sir Tony Redmond in 2020, and the “Independent Review of Financial Reporting Council” conducted by Sir John Kingman in 2018. The strategy also includes a range of other measures, including:
- setting out the vision and key principles for the local audit system;
 - committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
 - enhancing capacity and capability in the sector;
 - strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
 - increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.
8. The consultation also includes the potential delivery of local audit through a mixed market, supplementing the private market with public delivery of local audit – in the first instance to meet the needs of those authorities who are without an auditor in the current system.
9. This consultation commenced on 18 December 2024 and runs for six weeks until 29 January 2025.

Financial Implications

10. There are no financial implications.

Comments checked by:

Ian Dyson, Director of Financial and Commercial Services,
ian.dyson@oxfordshire.gov.uk (Finance)

Legal Implications

11. There are no legal implications arising from the report. If the consultation leads to a change in the law this will have implications for the Council which will be reported on at the relevant time.

Comments checked by:

Paul Grant, Head of Legal and Deputy Monitoring Officer,
paul.grant@oxfordshire.gov.uk (Legal)

Staff Implications

12. The report does not result in any staff implications.

Equality & Inclusion Implications

13. The report does not have any resulting equality and inclusion implications.

Lorna Baxter
Executive Director Resources and Section 151 Officer

Annex: Local Audit Strategy Consultation questions and proposed answers.

Background papers: The Government statement of intent and consultation paper can be found at:
<https://www.gov.uk/government/consultations/local-audit-reform-a-strategy-for-overhauling-the-local-audit-system-in-england>

Contact Officer: Ian Dyson, Director of Financial and Commercial Services.
ian.dyson@oxfordshire.gov.uk

January 2025

This page is intentionally left blank

LOCAL AUDIT STRATEGY – CONSULTATION QUESTIONS AND RESPONSES

The annex includes copied extracts from the Government's consultation paper "Local Audit Reform – a strategy for overhauling the local audit system in England". The consultation questions presented in that document are included here along with the proposed responses.

The strategy refers to six key areas of required reform:

1: The purpose of local audit

Reforms must be guided by a vision statement, key principles and be driven by user needs.

Commitments

The government commits to:

- a local audit vision with eight core principles.
- undertake a post-implementation review to assess whether changes to value for money requirements in the 2020 and 2024 Code of Practice have led to more effective consideration of financial resilience and VFM, and to conduct this review by the end of 2027. This review will consider whether auditors should assess VFM achievement.

2: Local Audit Office remit

The government accepts the Redmond and Kingman Reviews' recommendations for a new oversight organisation to simplify the system and drive change.

Commitments

The government commits to a LAO which would:

- be statutory and independent, with a remit to streamline and simplify the system.
- assume the functions of appointing and contracting auditors for local authorities. This would remove the power for authorities to appoint their own auditor.
- adopt ownership of the Code of Audit Practice from the NAO and deliver relevant training. It would have powers to interpret ISA requirements for the local audit context (though the FRC would continue to maintain ownership of ISAs for the UK as a whole).
- hold responsibility for quality oversight of local audit, including overseeing an inspection programme, enforcement and some elements of supervision
- publish national insight reports on local audit health, which could include emerging trends, quality, market sustainability, VFM arrangements and statutory recommendations and PIRs.

ANNEX – CONSULTATION QUESTIONS AND RESPONSES

- oversee professional bodies with regard to their remit for the qualification, registration and conduct of local auditors.

Consultation Questions:

Question 1

Do you agree the LAO should become a new point of escalation for auditors with concerns?

- Strongly Agree
- **Agree**
- Disagree
- Strongly Disagree

Please explain your answer:

This will simplify the approach

Question 2

Do you agree relevant issues identified should be shared with auditors, government departments and inspectorates?

- Strongly Agree
- **Agree**
- Disagree
- Strongly Disagree

Please explain your answer

Where there are agreed evidence based findings to make such action appropriate.

Question 3

Should the LAO also take on the appointment and contract management of auditors for smaller bodies in the longer term? If so, when should responsibilities transfer from SAAA?

- Yes
- **No**

If yes, when should responsibilities transfer from the Smaller Authorities Audit Appointment Ltd (SAAA)?

If no, please explain your answer

The case in the consultation is not strong enough to understand the benefits of this and the concern would be the overall capacity in the system to include coverage of the smaller bodies. The consultation document does not indicate that there is a significant issue with the current approach.

Question 4

Should the LAO oversee a scheme for enforcement cases relating to local body accounts and audit?

- Yes
- No

Please explain your answer (optional) [Free text box]

This could potentially provide greater consistency in relation to enforcement cases, however there is a lack of detail around the process to ensure there is a fair representation of both parties' views and opinions. Or any appeals process.

Question 5

How could statutory reporting and Public Interest Reports be further strengthened to improve effectiveness?

Please explain your answer:

Response to be determined

Question 6

Should the scope of Advisory Notices be expanded beyond unlawful expenditure, or actions likely to cause a loss or deficiency, as defined by the Local Audit and Accountability Act, to include other high-risk concerns?

- Yes
- No

Please explain your answer (optional)

This could have stopped some of the financial difficulties that some local authorities have found themselves in, however there would need to be a clear process and right to respond that should be included within any public reporting.

Question 7

Should the LAO own the register of firms qualified to conduct local audits?

- Yes
- No

Please explain your answer (optional)

Yes, it would make sense to maintain accountability for quality standards throughout the contract management process.

Question 8

Should the LAO hold the power to require local bodies to make changes to their accounts, so that auditors could apply to the LAO for a change to be directed instead of needing to apply to the courts?

- Yes

- No

Please explain your answer

In principle subject to our answer to question 4

3: Financial reporting and accounts

Reforms should consider the needs of the user and the impact of accounting requirements on the work of account preparers, auditors and the wider audit system.

Commitments

The government commits to:

- review, in consultation with relevant stakeholders, the content and format of local authority accounts. This will include ensuring that the accounting code does not require more disclosures than are necessary and consider the purposes and users of local authority accounts.
- work with devolved governments to determine the appropriate approach to ensure accounting practices are consistent across the UK including if the Accounting Code is transferred to the LAO.
- consider whether to develop primary legislation to separate pension fund accounts from administering authority main accounts.
- ensure that if the Accounting Code is transferred to the LAO, it would be freely available to users of local body accounts.
- consider the introduction of Standardised Statements in the longer term.

Consultation Questions

Question 9

What are the barriers to progressing accounts reform?

Please explain your answer

The current accounts process operates within a complex regulatory environment, requiring extensive disclosures that the private sector is not obligated to provide. This creates significant challenges and inefficiencies. In recent years, a lack of consensus among stakeholders—particularly disagreements between auditors, local authorities, and regulatory bodies—has further delayed reforms and solutions. Achieving an agreed consensus before codes of practice are issued would be beneficial, enabling smoother implementation. Additionally, simplifying disclosures presents an opportunity, such as addressing duplication in the narrative statement, which often repeats information already publicly available. Resource constraints also pose a critical barrier, as both local authorities and audit firms face budget pressures, staff shortages, and training gaps. These limitations hinder their ability to adapt to and implement necessary changes effectively.

Question 10

Are there structural or governance barriers to accounts reform that need to be addressed?

- Yes
- No

Please explain your answer

There is fragmented oversight in the current system, as local authorities are subject to multiple regulatory bodies without a single authoritative entity. This has resulted in inconsistent guidance and misaligned priorities. While it is important to maintain a clear separation between the audit appointer and the body setting the regulatory framework, the current system is overly complex, with detailed and prescriptive reporting requirements. These add to the burden on local authorities by mandating disclosures that often lack significant value and result in duplication of information. Ambiguity in roles and responsibilities within the existing governance framework has further reduced accountability for driving and overseeing reforms. Additionally, there is a lack of understanding of the challenges faced by local authorities and audit firms, including resource constraints due to insufficient funding, staff shortages, and expertise gaps. These factors impede the ability to implement necessary reforms effectively.

The sheer volume of disclosures required under the current system contributes to lengthy and convoluted accounts, underscoring the need for simplification and prioritisation of reporting requirement

Question 11

Should any action to accounts reform be prioritised ahead of the establishment of the LAO?

- Yes
- No

Please explain your answer

Before the establishment of the Local Audit Office (LAO), several priorities could lay the groundwork for effective governance. Firstly, simplifying reporting requirements by streamlining disclosures would reduce unnecessary complexity and duplication, enabling local authorities to produce clearer and more concise statements of accounts. Secondly, fostering a clear consensus on codes of practice among local authorities, auditors, and regulatory bodies is essential to avoid delays and ensure smoother implementation of reforms. Addressing resource constraints is another critical priority; increasing funding, providing targeted training, and recruiting skilled staff would help strengthen resilience and capacity within both local authorities and audit firms. Additionally, clarifying the roles and responsibilities of all stakeholders involved in the accounts process would improve accountability and reduce ambiguity. Lastly, establishing an interim oversight mechanism would ensure progress is maintained, key tasks are completed, and momentum for these reforms is sustained during the transition period.

Question 12

Are there particular areas of accounts which are disproportionately burdensome for the value added to the accounts?

- Yes
- No

Please explain your answer

The current financial reporting practices contain several areas of redundancy and unnecessary complexity, which could be streamlined to improve efficiency and relevance. For example, narrative statements often duplicate information readily available in other reports, such as annual reports or provisional outturns, offering little additional value to stakeholders. Similarly, the disclosure of exit packages repeats publicly accessible data from the DELTA return, making its inclusion in accounts resource-intensive without enhancing transparency. Other disclosures, such as the Dedicated Schools Grant (DSG) note, merely replicate data from the Section 251 return to the Department for Education, adding to the burden with minimal stakeholder benefit. Pension fund disclosures are frequently overly technical, limiting their accessibility to non-specialists and reducing their decision-making value. Additionally, the preparation of group accounts can be disproportionately resource-intensive when subsidiaries have minimal financial impact. Lastly, excessive granularity in reserves reporting, when this information is already available through other reports, obscures key insights rather than enhancing transparency. By focusing on materiality, eliminating duplication, and aligning disclosures with stakeholder needs, the reporting process can become significantly more streamlined without compromising quality or usefulness.

Question 13

Do you agree that the current exemption to the usual accounting treatment of local authority infrastructure assets should be extended and if so, when should it expire?

- Yes
- No

Please explain your answer

Yes, the current exemption to the usual accounting treatment of local authority infrastructure assets should be extended. The complexity and cost of implementing the usual accounting treatment for infrastructure assets—such as roads, bridges, and other public infrastructure—pose significant challenges for local authorities. These assets often lack reliable data for accurate valuations, and the time and resources required to comply with the full reporting requirements may outweigh the benefits of the disclosures. Extending the exemption will allow local authorities to focus on more impactful financial management practices and ease the administrative burden.

The treatment of local authority infrastructure assets should be extended until a suitable solution is identified that is agreeable to all auditors, CIPFA, and the

ANNEX – CONSULTATION QUESTIONS AND RESPONSES

International Accounting Standards Board. This will ensure that any future accounting treatment is well understood, feasible, and aligned with the needs of all stakeholders.

As for the expiration of the exemption, a clear timeline should be set, with a review in 3 to 5 years. This would provide sufficient time for local authorities to address data quality issues, implement necessary reforms, and develop more robust systems for infrastructure asset accounting. The expiration date should be linked to a tangible improvement in the consistency and accuracy of data collection and valuation methods, ensuring that local authorities are prepared to meet future accounting requirements without undue strain.

Question 14a

Should the LAO adopt responsibility for CIPFA's Code of Practice on Local Authority Accounting?

- Strongly Agree
- Agree
- **Disagree**
- Strongly Disagree

Please explain your answer

There would be too much potential for conflict of interest, and we support the role that CIPFA plays in the maintaining the code of practice for the local government.

Question 14b

Are there other options relating to responsibility of CIPFA's Code of Practice?

- Yes
- No

Please explain your answer

Response to be determined

Question 15

Should the Accounting Code be freely available if it is not transferred to the LAO?

- **Yes**
- No

Please explain your answer

The accounting code should be accessible to all those that need to understand and apply it.

4: Capacity and capability

Delays and complexity disincentivise the right skills from entering the market, leading to less timely, less effective audit. The government will work to ensure that bodies have skilled and resourced account preparers. In order to strengthen the capacity of the sector, consideration will also be given to supplementing private sector audit with public provision.

Commitments

The government commits to:

- review Key Audit Partners eligibility criteria to remove barriers to entry.
- work with the Local Government Association on targeted support for local authority finance teams, audit committees and elected members to strengthen financial governance.
- provide £15m funding to local authorities for 2024/25 to honour the final year of the previous government's commitment to £45m funding in the current spending review.
- consider new burdens associated with this vision and related legislation.

Consultation Questions

Question 16

What additional support should be provided to finance teams, audit committees and elected members to develop and strengthen financial governance?

Please explain your answer

Guidance/training for Audit committee members and elected members on the key questions to consider as part of their assessment of the accounts and audit process. An annual summary of national audit issues (e.g. infrastructure valuation) and what "good" looks like. For finance, having free mandatory training on key changes to the accounting standards.

Question 17

How should Key Audit Partners (KAP) eligibility be extended further, should some categories of local audit be signed off by suitably experienced Responsible Individuals (Ris) (and if so, which)?

Please explain your answer

We support the new pathway to the registration of KAPs through the new diploma. Allowing RIs to sign off options would increase capacity in the system provided there was assurance over the quality control over those RIs.

Question 18

Should the market include an element of public provision?

- Yes

ANNEX – CONSULTATION QUESTIONS AND RESPONSES

- No

Please explain your answer

Regardless of the decision, quality and capacity should be the main driving forces behind it. If this could be delivered through a public provision, that would be acceptable.

Question 19

If yes, should public provision be a function of the LAO?

Please explain your answer

Yes. This has worked successfully previously with the District Audit.

Question 20

What should the initial aim be in relation to proportion of public and private provision?

Please explain your answer

Assurance in respect of quality and capacity as well as controlling the cost

Question 21

Should the Secretary of State, in consultation with the LAO and for defined periods, set an envelope within which the body could determine the appropriate proportion of public provision for the market?

- Yes
- No

Please explain your answer

Response to be determined

5: Relationships and audit regimes

Existing relationships between local bodies and their auditor need to be strengthened and their respective relationship with the LAO must be clear. The collective scrutiny of audits as part of the democratic process, such as Audit Committees, will be strengthened, and the potential for local accounts committees for strategic authority areas in England will be considered. Audit regimes will be reviewed to ensure they are fit for purpose in the short and long term.

Commitments

The government commits to:

- require twice-yearly meetings between Key Audit Partners (KAPs) and authorities' statutory officers (Head of Paid Service, Monitoring Officer

and Section 151 Officer).

- mandate audit committees with at least one independent member and consideration at full council, where this requirement does not yet apply in the sector.
- consider new local accounts committees for strategic authority areas in England, which would interact with auditors and the new LAO.
- consider moving from an exclusively threshold-based system towards one also linked to the type of body, with reporting and audit requirements scaled to the nature, size and risk of the bodies concerned.
- review the accessibility of AGAR's format and information.

Consultation questions

Question 22

Do you think that the Chair of an audit committee should be an independent member?

- Yes
- No

Please explain your answer

We believe the audit committee should be apolitical, and there is assurance provided by the statutory officers (monitoring officer and s151 officer) that the committee has terms of reference and is constituted to ensure the role of an audit committee is effectively discharged. We support there being an independent member on the committee of subject matter expertise, but do not believe it is necessary for the independent member to be the chair.

Question 23

Do you have views on the need for a local public accounts committees or similar model, to be introduced in strategic authority areas across England?

- Yes
- No

Please explain your answer

Response to be determined

Question 24

Would such a model generate more oversight of spending public money locally?

- Yes
- No

Please explain your answer

Response to be determined

Question 25

ANNEX – CONSULTATION QUESTIONS AND RESPONSES

How would the creation of such a model impact the local audit system and the work of local auditors?

Please explain your answer

Response to be determined

Question 26

Do you agree that the MLA threshold should be increased?

- Yes
- No

Please explain your answer

If the thresholds set in 2014 were correct, as they appeared to be based on the type of authority and risks profiles within those authorities, then it stands to reason these thresholds should be uplifted with inflation. We also agree that it should a proportionate approach based on the risk profile.

Question 27

Do you agree that some local bodies should be declared exempt from the regulatory focus of an MLA? For example, should Integrated Care Boards be exempt?

- Yes
- No

Please explain your answer

No response

Question 28

Do you agree that smaller authorities' thresholds should be increased?

- Yes
- No

Please explain your answer

Same answer as 26

Question 29

Do you agree that the lower audit threshold of £25,000 should be increased broadly in line with inflation?

- Yes
- No

Please explain your answer

Same answer as 26

Question 30

ANNEX – CONSULTATION QUESTIONS AND RESPONSES

Are there other changes that would improve the accounting and limited assurance regime for smaller authorities?

- Yes
- No

Please explain your answer

No response

6: Backlog

Significant and difficult work undertaken by finance teams and auditors to clear the backlog to date is a necessary step to reform. The government recognises that there is further work required to support the recovery process including guidance, advice and support.

Commitments

The government commits to:

- work with system partners to produce additional guidance, advice and support.
- amend secondary legislation to extend existing exemptions to include infrastructure asset values, to reduce the audit workload in the medium term.
- consider any further, temporary exemptions to ensure workload and cost is proportionate.

Consultation Questions

Question 31

What additional support, guidance or advice do local bodies and/or auditors need for future statutory deadlines (including backstop dates) for the publication of audited accounts?

Please explain your answer

*Any advisory note should be issued directly to local authorities rather than relying on local authorities attempting to monitor if any updates have been issued.
An opportunity to discuss/ask questions on advisory note changes would also be welcome.*

Question 32

Do you think that financial reporting and/or auditing requirements should be amended for a limited period after the backlog has been cleared and as assurance is being rebuilt, to ensure workload and cost are proportionate?

- Yes

ANNEX – CONSULTATION QUESTIONS AND RESPONSES

- No

Please explain your answer

Until such time as there is a defined and achieved level of assurance on the deliverability of the auditing requirements, they should continue to be amended for a limited time frame after the backlog has been cleared to ensure workloads and costs are proportionate.

This page is intentionally left blank

Divisions Affected - All

AUDIT & GOVERNANCE COMMITTEE

15 January 2025

Financial Management Code of Practice Compliance Assessment

Report by Executive Director of Resources and Section 151 Officer

RECOMMENDATION

1. **The Audit & Governance Committee is RECOMMENDED to**
 - Endorse the assessment of compliance against the Financial Management Code for 2024/25 (Annex 1)

Executive Summary

2. The Chartered Institute of Public Finance and Accountancy (CIPFA) launched the Financial Management Code of Practice (FM Code) in November 2019. The FM Code was developed on behalf of the then Ministry of Housing, Communities and Local Government (MHCLG)¹, now referred to as the Department for Housing, Communities and Local Government in the context of increasing concerns about the financial resilience and sustainability of local authorities.
3. The FM Code clarifies how Chief Finance Officers should satisfy their statutory responsibility for good financial administration as required in section 151 of the Local Government Act 1972 and emphasises the collective financial responsibility of the whole leadership including the relevant elected members.
4. Local authorities have been expected to demonstrate that the requirements of the FM Code are being satisfied annually from 2021/22. The assessment is based on a view of the current financial year.
5. This is the fifth annual report to those charged with governance on the Council's compliance with the FM Code which started with an initial assessment for 2020/21 that was considered by Audit & Governance Committee in January 2021.

¹ The 'Department' is referred to throughout this report given the change in name

6. The report sets out the outcome of the compliance self-assessment undertaken for 2024/25 which has found that the Council is well placed to meet the requirements of the FM Code.

Introduction

7. The FM Code sets out the principles by which authorities should be guided in managing their finances and the specific standards that they should, as a minimum, seek to achieve. Compliance with the code is obligatory but is not currently referenced in legislation meaning that it is not statutory guidance. However, the FM Code draws heavily on existing statutory guidance:
- Role of the Chief Financial Officer in Local Government
 - Prudential Code for Capital Finance
 - Code of Practice on Local Authority Accounting in the United Kingdom
8. The FM Code is designed to be flexible to the nature, needs and circumstances of individual authorities. It is up to each authority to determine the extent to which it complies with the Code and to identify what action it may wish to take to better meet the standards that the Code sets out.
9. It does not prescribe the financial management processes that local authorities should adopt. Instead, the code requires that a local authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances.
10. The FM Code has six key themes aimed at strengthening the financial resilience and sustainability of local authorities:
- (i) Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
 - (ii) **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
 - (iii) Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
 - (iv) Adherence to professional **standards** is promoted by the leadership team and is evidenced.
 - (v) Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
 - (vi) The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

11. Performance against the six key themes is measured by 19 standards which are arranged over seven sections:
- (i) The responsibilities of the chief finance officer and leadership team
 - (ii) Governance and financial management style
 - (iii) Long to medium-term financial management
 - (iv) The annual budget
 - (v) Stakeholder engagement and business plans
 - (vi) Monitoring financial performance
 - (vii) External financial reporting
12. The 19 standards are set out in full in Annex 1.

Status of the FM Code

13. The [Redmond Review into Local authority financial reporting and external audit](#) which reported in September 2020 included a specific recommendation for the Department to review its current framework for seeking assurance that financial sustainability in each local authority in England is maintained. Although not prescribed in the formal recommendation, the review noted that the Department could give the FM Code statutory status and require local authorities to report on compliance with the Code in their Annual Governance Statement with auditors expected to report on material breaches.
14. The Department [published a formal response to the Redmond Review on 18 December](#) 2020 to coincide with the publication of the Provisional Local Government Settlement for 2021/22. In response to this specific recommendation, the Department committed to give it further consideration and to make a full response by spring 2021. [A further response from the Department was published in May 2021](#) but did not provide any further update on the status of the FM Code.

Compliance Assessment 2024/25

15. It is for the individual authority to determine whether it meets the standards of the FM Code and to make any changes that may be required to ensure compliance. Authorities should be able to provide evidence that they have reviewed their financial management arrangements against the standards and that they have taken such action as may be necessary to comply with them.
16. At the Audit & Governance Committee meeting in November 2019 it was agreed that, as those charged with governance, the committee should receive an annual compliance report ahead of Cabinet's consideration of the Medium Term Financial Strategy for the following year.
17. An assessment has been made of the Council's current compliance with the 19 Standards in the FM Code. The assessment has identified that the Council

remains well placed to evidence compliance with the FM Code from 1 April 2025.

18. 17 standards have been assessed as green and 2 standards continue to be rated as amber, demonstrating that compliance can be evidenced. Where relevant, proposed further actions that can be taken to enhance compliance have been included in the assessment. The Summary Assessment is included at Annex 1.
19. The Summary Assessment will also be published alongside the Chief Finance Officer's (Section 151 Officer's) statutory report on the budget (Section 25 Report) which is part of the suite of papers considered by Council in approving the budget in February 2025. This is supporting evidence of the consideration given by the Section 151 Officer to the financial management arrangements and control frameworks that are in place when commenting on the robustness of the proposed budget.

Embedding the FM Code

20. CIPFA has published guidance notes to support Local Authorities to interpret the requirements of the FM Code. The guidance notes contain 69 detailed questions across the 19 standards to support compliance.
21. Officers will again use the detailed questions to help inform the preparation of the Professional Lead Statements which underpin the Annual Governance Statement (AGS). Where action can be taken to strengthen and enhance compliance with the FM Code these will be taken forward and reported through the AGS Action Plan.

Financial Implications

22. There are no direct financial implications, but the assessment indicates that the Council is well placed to meet the requirements of the FM Code and thereby ensure value for money and financial sustainability and resilience.

Comments checked by:

Lorna Baxter, Executive Director of Resources and Section 151 Officer
Lorna.baxter@oxfordshire.gov.uk

Legal Implications

23. There are no direct legal implications arising from this report with the need to achieve compliance with the FM Code being integral in evidencing financial management standards.

Checked by:

Paul Grant, Head of Legal and Deputy Monitoring Officer
Paul.Grant@oxfordshire.gov.uk

Staff Implications

24. This report is concerned wholly with an assessment of financial management standards. There are no staffing implications arising directly from the report.

Equality & Inclusion Implications

25. There are no equality and inclusion implications arising directly from this report.

Sustainability Implications

26. There are no sustainability implications arising directly from this report.

LORNA BAXTER

Executive Director of Resources and Section 151 Officer

Annex: Financial Management Code of Practice –
Summary Compliance Assessment 2024/25

Background papers: Nil

Contact Officer: Kathy Wilcox, Head of Corporate Finance
Kathy.Wilcox@Oxfordshire.go.uk

January 2025

This page is intentionally left blank

Financial Management Code of Practice – Summary Compliance Assessment 2024/25

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
1. Responsibilities of the Chief Finance Officer (CFO) and Leadership Team				
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money (VfM)	<p>Working as part of the Council Management Team, the Director for Financial & Commercial Services is responsible for the leading on the delivery of the council's Commercial Strategy which was agreed by Cabinet in March 2024. This seeks to promote a wide and more integrated approach to commercial management combining strategic and operational tasks distributed across the Council.</p> <p>Services use benchmarking to inform opportunities to improve VfM but this has generally been ad hoc and there has been limited visibility beyond the service.</p> <p>Procurement decisions consider VfM by considering the quality of service and not just price.</p>	<p>The Commercial Strategy is being delivered through a Commercial Transformation Programme overseen by the Commercial Board operating under the direction of the Council Management Team.</p> <p>Risk appetite, people, capability and processes, and monitoring and evaluation are being considered and developed through the implementation of the strategy.</p> <p>More systematic business intelligence information and insight needed to underpin the Commercial Strategy and enable the council to demonstrate that all revenue and capital expenditure provides VfM is being developed by November 2025 as part of the council's Business Services Transformation programme.</p>	AMBER

B	<p>The authority complies with the CIPFA “Statement of the Role of the CFO in Local Government”</p>	<p>The CFO is qualified accountant with significant experience working as an active member of the council’s leadership team.</p> <p>In carrying out their role as Executive Director of Resources and Section 151 Officer, the CFO is a member of SLT (Strategic Leadership Team) and reports directly to the Chief Executive. The CFO has an influential role with members of the Cabinet, Audit & Governance Committee and lead opposition members.</p> <p>Funding for additional finance capacity needed to support the organisation to transform and to ensure that the CFO is able to lead and direct a finance function that is resourced to be fit for purpose was agreed as part of the 2024/25 budget.</p> <p>Reflecting the need to ensure financial literacy across the council new job roles agreed as part the organisational redesign of the council’s senior management structure in 2024 clearly set out the financial management responsibilities of each of the council’s directors and their direct reports. These responsibilities will be followed up through on-going performance management in 2025/26.</p> <p>Following the corporate Enterprise Resource Planning (ERP) review (a review of the IBC partnership with Hampshire County Council) a number of finance improvements were identified and have been put into the Business Services Transformation programme of work, covering Finance, HR and Purchasing</p>	<p>The Business Services Transformation programme is reviewing financial management, procure-to-pay and HR activities performed across the council. The programme is currently being reviewed and reset and will be delivering through into 2025/26.</p>	GREEN
---	---	---	--	-------

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
2.	Governance and Financial Management Style			
C	The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control	<p>The Strategic Leadership Team (SLT) understands its responsibilities in relation to Financial Management and considers the assessment against the Code and actions or further work required in order to continuously improve.</p> <p>The Council Management Team (CMT) receive and review on a quarterly basis a report from the Chief Internal Auditor on progress against the Internal Audit Plan, implementation of agreed management actions and delivery of the Counter Fraud Plan. The Annual Governance Statement (AGS) and Action Plan are also considered by CMT.</p> <p>In addition, the Audit & Governance Committee have a key role in providing independent assurance over governance, risk and internal control arrangements.</p> <p>SLT are continuing to discharge their responsibilities through CMT. Ongoing focus on managing pressures over the short and medium term to maintain financial resilience is evidenced in the reduction in the level of forecast overspend in 2024/25.</p> <p>Work has been undertaken during 2024/25 to establish a meaningful and effective approach to updating and maintaining schemes of financial delegation across services.</p>		GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
D	The authority applies the CIPFA/SOLACE “Delivering Good Governance in Local Government: Framework (2016)”	The Local Code of Corporate Governance sets out how the Council complies with the requirements of the Framework and identifies key documents, which provide detailed information as to how the Council ensures the Corporate Governance principles are adhered to. The annual update of the Oxfordshire Code of Corporate Governance was last approved by Audit & Governance Committee in March 2024 .		GREEN

E	<p>The Financial Management style of the authority supports financial sustainability</p>	<p>The Council has adopted a Business Partnering model that supports managers to deliver financially sustainable services by providing strategic advice and support. Training in financial management roles and responsibilities has been a focus across a number of Directorates during the last financial year.</p> <p>This is underpinned by a Corporate Function that manages the strategic financing issues and provides the budget setting and accounting framework for the organisation.</p> <p>An updated Financial Strategy including financial performance indicators that are tracked and reporting during the following year is published annually as part of the budget agreed by Council.</p> <p>The council's Commercial Strategy will promote a wide and more integrated approach to commercial management combining strategic and operational tasks distributed across the Council.</p> <p>A council-wide Project Portfolio Management (PPM) system, which will enable improved oversight of capital schemes, has been implemented in 2024/25 and the expectation is that the outputs from this system will be used to inform capital programme boards and the Strategic Capital Board. along with</p>	<p>A new Financial Management Strategy is being developed as part of Business Services Transformation. The Strategy will set out the improvements required to enhance financial management capabilities including financial management reporting structures and the development of business objects dashboard reporting.</p> <p>An improvement plan which will include enhancements and opportunities using technology and data for enabling more efficient and effective financial management across the council will be agreed as part of the Strategy.</p> <p>Following the changes to the senior management structure and organisational redesign business partnering will be developed across more functions within the council with operating models agreed to reflect the on-going arrangements.</p> <p>Longer-term financial planning is not possible while the</p>	AMBER
---	--	---	---	--------------

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
			Government's approach to local government funding is unclear. This is being kept under constant review as more information becomes available from Government.	
3. Long to Medium-Term Financial Management				
F	The authority has carried out a credible and transparent financial resilience assessment	<p>A review of the 2023/24 CIPFA Financial Resilience index has been undertaken and the assessment will be included in the Financial Strategy (section 4.5 of the Budget & Business Planning Report to Cabinet in January 2025).</p> <p>The Financial Strategy also includes a suite of performance indicators against which financial performance is measured during the year and reported through the Business Management & Monitoring Reports to Cabinet. These measures include the forecast level of General Balances against the minimum risk assessed level for balances taking into account the latest monitoring position in the current year and the forecast achievement of savings built into the budget.</p>		GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	<p>The Financial Strategy and MTFS outline the financial challenges and opportunities facing the Council over the medium term and set out how action is being taken to manage expenditure within the available funding.</p> <p>The Capital & Investment Strategy and the Capital Programme both cover a 10-year period. The Capital & Investment Strategy sets out the long-term context in which capital expenditure and investment decisions are made and articulates how the Council's capital investment will help achieve the Council's vision and priorities as well as respond to demographic change.</p>	<p>With the development of a new business intelligence approach, and potential longer run opportunities through the move to the Hampshire Partnership's move to SAP 4 HANA from 2026/27 it remains an ambition to improve budget planning information and to progress the development of more accessible scenario planning in relation to long term budget planning and the council's place shaping ambitions. Once SAP 4 HANA is available an assessment will be made of the opportunities arising from this.</p> <p>The development of high level Business Plans for each service will help to align service plans with the Financial Strategy and Medium Term Financial Strategy.</p>	GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
H	The authority complies with the CIPFA "Prudential Code for Capital Finance in Local Authorities"	<p>The Capital & Investment Strategy is updated annually and agreed by Council alongside the Capital Programme, Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy.</p> <p>The Capital Programme is monitored monthly with reports produced quarterly for the Strategic Capital Board and Cabinet. Quarterly Treasury Management reports are taken to Audit & Governance Committee, Cabinet and Council, including monitoring of Prudential Indicators.</p> <p>The ratio of financing costs to the net revenue stream is forecast to remain within at around 5% over the medium term with a recommended limit of 5.5%. The future affordability of any proposed new borrowing is a key consideration within the Budget & Business Planning process.</p>		GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	The Council has an integrated Business and Budget Planning Process with a multi-year Medium Term Financial Strategy linked to service plans. This is reviewed and updated each year with new future years added to ensure that the strategy covers at least three years.	High level Business Plans for each service area are being developed by each director and are expected to be used to inform and underpin the budget and business planning process from 2026/27 onwards.	GREEN
4. The Annual Budget				
-	The authority complies with its statutory obligations in respect of the budget setting process	The Council produces an annual balanced budget and supporting documentation within the necessary timeframe.		GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
K	The budget report includes a statement by the CFO on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves	The CFO's Section 25 report accompanies the suite of Budget documents and includes a commentary on the adequacy of proposed financial reserves with reference to CIPFA's Resilience Index as well as assessed compliance with the FM Code.		GREEN
5.	Stakeholder Engagement and Business Plans			

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	<p>The council's approach to consultation and engagement is set out in the consultation and engagement Strategy 2022/25. This puts residents at the heart of decision-making and aims to engage with and listen to residents and other partners in a more active and inclusive way.</p> <p>As part of the budget process for 2024/25 the council used an online budget simulator tool for the first time. The aim was to help people to learn more about the services the council provides and have their say on savings and spending, by setting their own balanced budget for the council.</p> <p>Consultation and engagement to support budget and business planning for 2025/26 has been organised into three phases:</p> <ul style="list-style-type: none"> • Phase 1: Representative residents' survey • Phase 2: Participatory engagement: Budget simulator and sounding boards for children and young people • Phase 3: Public consultation on the substance of the 2025/26 budget. <p>The outputs from Phase 1 and 2 were shared in the Budget & Business Planning report to Cabinet in October 2024 so they were available to inform the proposals shared later in the process. Performance & Corporate Services Overview & Scrutiny Committee have also considered the budget proposals ahead of the budget being agreed by Council.</p>		GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
6.	Monitoring Financial Performance			
N	The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	<p>The regular Business Management and Monitoring Reports to Cabinet include performance, finance and risk so enable the council's leadership team and Cabinet to respond to emerging issues and to take action to manage those.</p> <p>The regular Capital Programme monitoring report includes updates on scheme activity, performance and risks.</p>	<p>A programme of work is underway to develop a data warehouse covering finance, purchasing and HR. This will improve reporting and support data driven intelligence and decision-making.</p> <p>Development work is underway in 2024 and will continue into 2025/26, with a data extraction project being delivered in partnership with IBC.</p> <p>Stages 1-4 will be completed by March 2025 and stage 5 is scheduled for delivery by end of the year 2025 and will continue into 2025/26.</p> <p>Capital Monitoring will be developed further using outputs from the Project Portfolio Management (PPM) system.</p>	GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
O	The Leadership Team monitors the elements of its balance sheet that pose a significant risk to financial sustainability	The Business Management and Monitoring Reports to Cabinet include monitoring of key balance sheet items including balances, reserves, debtors, and cash (including the performance of Treasury Management).		GREEN
7. External Financial Reporting				
P	The CFO has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the “Code of Practice on Local Authority Accounting in the United Kingdom” (The Code)	<p>The annual accounts are produced in compliance with The Code and always received an unqualified audit opinion up to 2020/21. The audit of the statement of accounts for 2021/22 was delayed by national issues affecting the valuation of infrastructure assets. The external audit report setting out an unqualified opinion was issued on 25 January 2024.</p> <p>The statement of accounts for 2022/23 was published on 23 January 2024 following the resolution of the issues with the valuation of infrastructure assets. As a result of the delay, together with the wider requirements of the local audit reset the council's external auditors were not able to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report. Therefore, the council has received a disclaimed opinion on the 2022/23 financial statements.</p> <p>The 2023/24 accounts were published on 28 June 2024 and the audit opinion is expected to be received in early 2025. Since it was not possible to have assurance over the brought forward balances from 2022/23 these accounts are also expected to be disclaimed.</p>		GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	The Council Management Team and Cabinet consider the outturn and year end variances in a Provisional Outturn Report to Cabinet each June. Where relevant this enables strategic financial decisions to be made early in the following financial year.		GREEN

This page is intentionally left blank

AUDIT and GOVERNANCE COMMITTEE 15 January 2025

RISK MANAGEMENT OVERVIEW

Report by Executive Director of Resources and Section 151 Officer

RECOMMENDATION

1. The Committee is RECOMMENDED to note the Risk Management Update.

Executive Summary

2. This report sets out updates to Risk Management and an overview of the latest strategic risk register which contains the Council's most significant risks. The strategic risk register is closely managed by the Council Management Team and reported into the Strategic Leadership Team as part of the Council's Business Management and Monitoring Reports. These combined reports contain performance, risk and finance progress updates against the delivery of the current strategic plan priorities.

Introduction

3. The Oxfordshire County Council Risk Management policy is the overarching framework of the strategic and operational risk management process across the council. The policy is reviewed and updated on an annual basis. This annual review ensures the policy is linked to the budget and business planning process, the strategic plan and captures any external influence that may impact on the risk management process. The policy will be submitted for review and approval in March 2025.

4. The current 2022 – 2025 Strategic Plan includes nine priorities, leading positive change by working in partnership to make Oxfordshire a greener, fairer and healthier county.

5. The Performance and Insight team are responsible for the management and reporting of strategic risks and continue to work with services to assess training needs and further embed the risk management process across the organisation.

Key updates

6. Councillor training was held on 17 July 2024 as part of the Audit and Governance Committee meeting. This was a recorded virtual session which covered the key aspects supporting the overarching strategy and linking to the council's strategic priorities.

7. The Strategic Leadership Team participate in a review of current strategic risks, next review is January 2025, this includes a thorough review of all strategic risks ensuring all

risks continue to be relevant as a strategic risk, horizon scanning of other risks as part of the 25/26 business planning process.

8. The recent internal audit concluded; the system of internal controls being maintained as Amber – generally good system of internal control. However, some action is required to improve controls. We are working through 9, priority 2 management actions with leaders across the services.

9. The key action of embedding health checks across the organisation was implemented at the start of October 24, with health check interviews being undertaken with CMT colleagues throughout October and early November 24. This health check links to the Management of Risk practitioner training and guidance. The findings of this first health check will aid the formulation of an action plan to establish training and development needs which will be prioritised.

10. A number of risk awareness sessions have also happened at Directorate Leadership Team (DLT) sessions to review and discuss operational risk, awareness of the escalation process and strategic risks for their service area. This includes onboarding new colleagues who have joined OCC and are responsible for risk management.

11. A standardised risk template has been developed and a standardised risk matrix has been added to the intranet. Risk documentation has been reviewed and revised where appropriate and uploaded to the intranet, to further embed a consistent approach to risk across the organisation. The outcome of the risk health check will also highlight where information, training and development requires additional focus. These templates and access will also be reviewed as part of our continuous improvement following the results of the health check.

12. The Performance and Insight team (P&I) are implementing a new performance management system which will also provide a platform to capture the performance of strategic and operational risks. The strategic risk register reporting will be live from November 2024. Operational risk performance will also be incorporated, following the successful automation and implementation of the newly designed risk template and operational risks registers into the performance system (anticipated Quarter 1 2025/26). This will also link to the audit to ensure consistency in approach, reporting and escalation across the services.

13. The team continue to work closely with DLT's to discuss performance and risks and the proactive management of risk actions. Reporting of these areas has been made available in a performance and risk dashboard, also held on the performance system. User guides and videos have been created and cascaded across the organisation to support colleagues in their reporting of performance and risk. Further training and support will be provided as the new system is embedded with colleagues and additional training needs are identified.

14. The team are responsible for collating and reporting the Business Management and Monitoring report, which includes the three elements, performance, risk and finance. Two colleagues within the P&I team are now qualified Management of risk practitioners.

Strategic Risk Register

15.The term “Strategic risk” refers to both strategic risks (risks to the Council’s strategic objectives) and operational or programme/project risks which have been escalated due to the severity of their likelihood and/or impact. It does not necessarily include risks to the community, which are managed through the Community Risk Register, overseen by the Local Resilience Forum, (of which the Council is a member).

16.The Strategic Risk Register records the risks identified as requiring the most senior management attention. The Strategic Risk Register is reviewed monthly by the Council Management Team, and bi-monthly by Strategic Leadership Team, Informal Cabinet, Cabinet and is also an agenda item for chairs of scrutiny committees as part of the Business Management and Monitoring reporting.

17.The high-level overview of the Strategic Risks will be reported publicly as part of the Business Management and Monitoring Report pack which goes to Cabinet.

18. There are currently ten strategic risks listed below, this is included in the most recent Business Management and Monitoring Report at Cabinet 21 January 2025.

19. Strategic Risk Register overview – November 2024

The table below provides an overview of the current strategic risk position. Strategic risks are reviewed monthly as part of the Business management and monitoring process. Risks can be added and escalated at any time during the year.

Risk name	Risk Description	Inherent Score	Previous Residual Risk Score	Current Residual Risk Score	Current Residual Risk Rating	Direction of Travel
01. Financial resilience	The council is not financially sustainable in the immediate/medium term.	25	12	12	A	→
02. Cyber security	A successful and significant Cyber-attack leading to disruption, damage or compromise of any of the council's computer services, information systems, infrastructure or data.	25	15	15	A	→
03. HIF1 & HIF2	HIF1 and HIF2 become undeliverable and/or potential financial risk to the council.	16	12	12	A	→
04. Managing Demand across Adults' and Children's Services	Fluctuating demand of community across Oxfordshire can result in varying requirements in resource.	15	8	8	G	→
05. Special Educational Needs and Disabilities	Local area SEND partnership inspection outcomes found widespread systemic failure. Delay for children having their SEND needs met. Reputational damage (locally, regionally, and nationally).	20	12	12	A	→
06. Oxford Core Schemes	Failure to deliver Oxford Core Schemes (Traffic Filters, Workplace Parking Levy, Zero Emissions Zone and associated city area schemes such as Low Traffic Neighbourhoods) with public support.	20	16	16	R	→
07. Strategic Workforce Planning	A risk that the county council's workforce does not have capacity, capability or resilience to deliver key functions, statutory services or transformational changes required to ensure the councils objectives and long-term priorities are met. Further, that the diversity of the workforce satisfies statutory requirements.	16	12	12	A	→
08. Policy & Budget	Inability to seek agreement in relation to the policy and budget framework from a minority administration.	25	8	8	G	→
09. Delivering the Future Together	Failure to deliver organisation wide transformation.	25	8	8	G	→
10. Climate Impact	Increasing vulnerability to climate impacts leads to failure of key infrastructure and services with a direct impact on health, safety, environment, and businesses.	25	20	20	R	→

Table 1: Strategic Risk Overview for November 2024.

Corporate Policies and Priorities

20. The risk management process links to all nine of the strategic priorities. All templates include the link to the strategic priorities to ensure risks are identified with any effect to priorities possibly not being delivered.

Financial Implications

21. There are no significant financial implications from this paper

Comments checked by:

Ian Dyson, Director of Financial and Commercial Services
ian.dyson@oxfordshire.gov.uk

Legal Implications

22. There are no significant legal implications from this paper

Comments checked by:

Anita Bradley, Director of Law & Governance and Monitoring Officer
Anita.Bradley@oxfordshire.gov.uk

Risk Management

23. There are no significant risk implications from this paper.

Comments checked by

Louise Tustian, Director, Transformation, Digital and Customer Experience
Louise.Tustian@oxfordshire.gov.uk

LORNA BAXTER, Executive Director of Resources and Section 151 Officer

January 2025

This page is intentionally left blank

AUDIT AND GOVERNANCE COMMITTEE – 15 JANUARY 2025

CONSULTATION – STRENGTHENING THE STANDARDS AND CONDUCT FRAMEWORK FOR LOCAL AUTHORITIES IN ENGLAND

Report by Director of Law and Governance and Monitoring Officer

RECOMMENDATION

1. **The Committee is RECOMMENDED to agree to the proposed consultation response outlined in the Annex**

Executive Summary

2. The Government has launched a consultation regarding the application of standards and conduct in local authorities. The consultation opened on 18 December 2024 and runs for 10 weeks, closing on 26 February 2025. It states: “This consultation seeks views on introducing a mandatory minimum code of conduct for local authorities in England, and measures to strengthen the standards and conduct regime in England to ensure consistency of approach amongst councils investigating serious breaches of their member codes of conduct, including the introduction of the power of suspension.”
3. In the Annex to this report is a set of proposed answers to the specific questions which are posed, together with supporting text where appropriate.
4. The Council operates a Members’ Code of Conduct, which is included in the Constitution. This is underpinned by the standards of conduct in public life (the “Nolan principles”) and all Members agree to adhere to the Code of Conduct. Where breaches of the Code are alleged to have been made, the Director of Law and Governance and Monitoring Officer has the responsibility to administer a system of Councillor Code of Conduct complaints.
5. Changes which arise from the consultation and supporting legislation may affect the system of Councillor complaints, which is administered by the Director of Law and Governance and Monitoring Officer, and the sanctions available.

The Consultation

6. In 2019 the Committee on Standards in Public Life proposed a number of improvements to the administration of councillor complaints. These included strengthening the sanctions available to local authorities in relation to Members who had been found to have breached the Code of Conduct. It also

recommended a national standard code of conduct, and a consistent approach to convening a committee with responsibility for standards. The proposals made by the Committee in 2019 are largely contained within the consultation paper.

7. As stated above, the consultation seeks views on introducing measures to strengthen the standards and conduct regime in England and ensure consistency of approach amongst councils investigating serious breaches of their member codes of conduct, including the introduction of the power of suspension. Specific proposals being consulted upon for legislative change include:
 - (a) the introduction of a mandatory minimum code of conduct for local authorities in England
 - (b) a requirement that all principal authorities convene formal standards committees to make decisions on code of conduct breaches, and publish the outcomes of all formal investigations
 - (c) the introduction of the power for all local authorities (including combined authorities) to suspend councillors or mayors found in serious breach of their code of conduct and, as appropriate, interim suspension for the most serious and complex cases that may involve police investigations
 - (d) a new category of disqualification for gross misconduct and those subject to a sanction of suspension more than once in a 5-year period
 - (e) a role for a national body to deal with appeals.

In addition, the consultation seeks views on how to empower victims affected by councillor misconduct to come forward and what additional support would be appropriate to consider in this regard.

8. In the Annex to this report is a set of proposed answers to the specific questions which are posed, together with supporting text where appropriate. These are largely self-explanatory, but the following paragraphs set out some additional considerations in relation to the proposals. It is proposed that the annexed response is submitted as the Council's view on the consultation, but individual Councillors are able to send in their own responses and these could be organised within political groups as appropriate.
9. The introduction of a mandatory minimum code of conduct for local authorities in England would be welcome. It will provide certainty for officers and members that they are following a national scheme. This could lead to a shared understanding amongst local government officers and a uniformity of approach across the country.
10. The consultation refers to a requirement that all principal authorities convene formal standards committees to make decisions on code of conduct breaches and publish the outcomes of all formal investigations. In practice, as it is a statutory requirement for Monitoring Officers to administer a councillor complaints system and also that Councils establish a means by which the Monitoring Officer can do this, local authorities will have either a Standards Committee or responsibilities of a standards committee dealt with by one of its Council Committees. At Oxfordshire these responsibilities sit within the Audit

and Governance Committee and it is proposed that this does not need to change.

11. The consultation seeks views on the publication of outcomes of all formal investigations, which would be consistent with wider Council aspirations of conducting business with openness and transparency. However, there is an element of natural justice that should be considered in relation to alleged code of conduct breaches and it is suggested that the duty to publish material relating to complaints should not include all details of all allegations in case spurious material leads to unfair inferences against the subject Member. The preferred approach is for material to be published where there has been a process leading to formal investigation, which has led to a formal outcome.
12. The introduction of the power for all local authorities to suspend councillors or mayors found in serious breach of their code of conduct and, as appropriate, interim suspension for the most serious and complex cases that may involve police investigations is considered to be necessary. One of the main drawbacks of the current system is the lack of sanctions that reflect the seriousness of some breaches of a code of conduct. A new category of disqualification for gross misconduct and those subject to a sanction of suspension more than once in a 5-year period are also considered to be necessary additions to the system which will reflect the most serious cases.
13. A role for a national body to deal with appeals is also proposed.

Financial Implications

14. There are no financial implications.

Comments checked by:

Ian Dyson, Director of Financial and Commercial Services,
ian.dyson@oxfordshire.gov.uk (Finance)

Legal Implications

15. There are no legal implications arising from the report. If the consultation leads to a change in the law this will have implications for the Council which will be reported on at the relevant time.

Comments checked by:

Paul Grant, Head of Legal and Deputy Monitoring Officer,
paul.grant@oxfordshire.gov.uk (Legal)

Staff Implications

16. The report does not result in any staff implications.

Equality & Inclusion Implications

17. The consultation itself has conducted its own equality and inclusion assessment as this will need to be considered by Government when introducing any new proposals.

ANITA BRADLEY

Director of Law and Governance and Monitoring Officer

Annex: UK Government Standards Consultation questions and proposed answers with supporting text

Background papers: The Government consultation paper can be found at:
<https://www.gov.uk/government/consultations/strengthening-the-standards-and-conduct-framework-for-local-authorities-in-england/strengthening-the-standards-and-conduct-framework-for-local-authorities-in-england>

Contact Officer: Paul Grant, Head of Legal and Deputy Monitoring Officer
paul.grant@oxfordshire.gov.uk

January 2025

Annex - UK Government Standards Consultation questions and proposed answers with supporting text

Please note that proposed answers to consultation questions are shown highlighted in yellow

Question 1

Please tick all that apply - are you responding to this consultation as:

a) an elected member – if so please indicate which local authority type(s) you serve on

- Town or Parish Council
- District or Borough Council
- Unitary Authority
- County Council
- Combined Authority / Combined County Authority
- Fire and Rescue Authority
- Police and Crime Panel
- Other local authority type - please state

b) a council officer – if so please indicate which local authority type

- Town or Parish Council
- District or Borough Council
- Unitary Authority
- County Council
- Combined Authority / Combined County Authority
- Fire and Rescue Authority
- Police and Crime Panel
- Other local authority type - please state

c) a council body – if so please indicate which local authority type

- Town or Parish Council
- District or Borough Council
- Unitary Authority
- **County Council**
- Combined Authority / Combined County Authority
- Fire and Rescue Authority
- Police and Crime Panel
- Other local authority type - please state

- d) a member of the public
- e) a local government sector body – please state

Question 2

Do you think the government should prescribe a mandatory minimum code of conduct for local authorities in England?

- Yes
- No
- If no, why not? [Free text box]

Question 3

If yes, do you agree there should be scope for local authorities to add to a mandatory minimum code of conduct to reflect specific local challenges?

- Yes – it is important that local authorities have flexibility to add to a prescribed code
- No – a prescribed code should be uniform across the country
- Unsure

Question 4

Do you think the government should set out a code of conduct requirement for members to cooperate with investigations into code breaches?

- Yes
- No
- Unsure

Question 5

Does your local authority currently maintain a standards committee?

- Yes
- No
- Any further comments [free text box] ***The Council's standards committee function sits within the Audit and Governance Committee responsibilities.***

Question 6

Should all principal authorities be required to form a standards committee?

- Yes
- No
- Any further comments [free text box] ***How exactly the Standards Committee should be formed should be left as a matter for the local authority itself. For example, it may make sense for councils to combine responsibilities with matters relating to Governance, or Audit, in the interests of expediency.***

Question 7

In most principal authorities, code of conduct complaints are typically submitted in the first instance to the local authority Monitoring Officer to triage, before referring a case for full investigation. Should all alleged code of conduct breaches which are referred for investigation be heard by the relevant principal authority's standards committee?

- Yes, decisions should only be heard by standards committees
- No, local authorities should have discretion to allow decisions to be taken by full council
- Unsure

Question 8

Do you agree that the Independent Person and co-opted members should be given voting rights?

- Yes – this is important for ensuring objectivity
- No – only elected members of the council in question should have voting rights
- Unsure

Question 9

Should standards committees be chaired by the Independent Person?

- Yes
- No
- Unsure

Question 10

If you have further views on ensuring fairness and objectivity and reducing incidences of vexatious complaints, please use the free text box below.

[Free text box] ***To ensure fairness and reduce vexatious complaints there should be an ability to decline to take low level complaints through to a formal investigation following a triage process.***

Question 11

Should local authorities be required to publish annually a list of allegations of code of conduct breaches, and any investigation outcomes?

- Yes - the public should have full access to all allegations and investigation outcomes
- No - only cases in which a member is found guilty of wrongdoing should be published
- Other views – text box

Question 12

Should investigations into the conduct of members who stand down before a decision continue to their conclusion, and the findings be published?

- Yes
- No
- Unsure

Question 13

If responding as a local authority, what is the average number of complaints against elected members that you receive over a 12-month period?

17

Question 13a

For the above, where possible, please provide a breakdown for complaints made by officers, other elected members, the public, or any other source:

- Complaints made by officers **1**
- Complaints made by other elected members **2**
- Complaints made by the public **14**
- Complaints made by any other source **0**

Question 14

If you currently work, or have worked, within a local authority, have you ever been the victim of (or witnessed) an instance of misconduct by an elected member and felt that you could not come forward? Please give reasons if you feel comfortable doing so.

- Yes
- No
- [Free text box] ***We are answering as a corporate body so cannot provide a direct answer to this specific question. However, we work hard with elected members to ensure that there is a culture whereby anyone witnessing or subject to an instance of misconduct should feel able to make a complaint.***

Question 15

If you are an elected member, have you ever been subject to a code of conduct complaint? If so, did you feel you received appropriate support to engage with the investigation?

- Yes
- No
- [Free text box] ***We are answering as a corporate body so cannot provide an answer to this specific question.***

Question 16

If you did come forward as a victim or witness, what support did you receive, and from whom? Is there additional support you would have liked to receive?

[Free text box] ***We are answering as a corporate body so cannot provide an answer to this specific question.***

Question 17

In your view, what measures would help to ensure that people who are victims of, or witness, serious councillor misconduct feel comfortable coming forward and raising a complaint?

[Free text box] ***This could be managerial support within the relevant council and for it to be a breach of the Code of Conduct to intimidate victims or witnesses.***

Question 18

Do you think local authorities should be given the power to suspend elected members for serious code of conduct breaches?

- Yes – authorities should be given the power to suspend members
- No – authorities should not be given the power to suspend members
- Unsure

Question 19

Do you think that it is appropriate for a standards committee to have the power to suspend members, or should this be the role of an independent body?

- Yes - the decision to suspend for serious code of conduct breaches should be for the standards committee
- No - a decision to suspend should be referred to an independent body
- Unsure
- [Free text box] ***In the event that the consultation determines that suspension could be referred to an independent body we are unsure how referral to an independent body would work in practice and would it create a delay?***

Question 20

Where it is deemed that suspension is an appropriate response to a code of conduct breach, should local authorities be required to nominate an alternative point of contact for constituents during their absence?

- Yes – councils should be required to ensure that constituents have an alternative point of contact during a councillor's suspension
- No – it should be for individual councils to determine their own arrangements for managing constituents' representation during a period of councillor suspension
- Unsure

Question 21

If the government reintroduced the power of suspension do you think there should be a maximum length of suspension?

- Yes – the government should set a maximum length of suspension of 6 months
- Yes – however the government should set a different maximum length (in months) [Number box]
- No – I do not think the government should set a maximum length of suspension
- Unsure

Question 22

If yes, how frequently do you consider councils would be likely to make use of the maximum length of suspension?

- Infrequently – likely to be applied only to the most egregious code of conduct breaches

- Frequently – likely to be applied in most cases, with some exceptions for less serious breaches
- Almost always – likely to be the default length of suspension for code of conduct breaches
- Unsure

Question 23

Should local authorities have the power to withhold allowances from suspended councillors in cases where they deem it appropriate?

- Yes – councils should have the option to withhold allowances from suspended councillors
- No – suspended councillors should continue to receive allowances
- Unsure

Question 24

Do you think it should be put beyond doubt that local authorities have the power to ban suspended councillors from council premises and to withdraw the use of council facilities in cases where they deem it appropriate?

- Yes – premises and facilities bans are an important tool in tackling serious conduct issues
- No – suspended councillors should still be able to use council premises and facilities
- Unsure

Question 25

Do you agree that the power to withhold members' allowances and to implement premises and facilities bans should also be standalone sanctions in their own right?

- Yes
- No
- Unsure

Question 26

Do you think the power to suspend councillors on an interim basis pending the outcome of an investigation would be an appropriate measure?

- Yes, powers to suspend on an interim basis would be necessary
- No, interim suspension would not be necessary
- Any further comments [free text box] ***We see this as a helpful option that local authorities should be able to use in the most serious of cases where interim suspension is appropriate such as where there is a criminal investigation. However, it could build in complexity and***

hinder the ability of local authorities to deal with complaints promptly if used as standard.

Question 27

Do you agree that local authorities should have the power to impose premises and facilities bans on councillors who are suspended on an interim basis?

- Yes - the option to institute premises and facilities bans whilst serious misconduct cases are investigated is important
- No - members whose investigations are ongoing should retain access to council premises and facilities
- Unsure

Question 28

Do you think councils should be able to impose an interim suspension for any period of time they deem fit?

- Yes
- No
- Any further comments [free text box]

Question 29

Do you agree that an interim suspension should initially be for up to a maximum of 3 months, and then subject to review?

- Yes
- No
- Any further comments [free text box]

Question 30

If following a 3-month review of an interim suspension, a standards committee decided to extend, do you think there should be safeguards to ensure a period of interim extension is not allowed to run on unchecked?

- Yes – there should be safeguards
- No – councils will know the details of individual cases and should be trusted to act responsibly

Question 30a

If you answered yes to above question, what safeguards do you think might be needed to ensure that unlimited suspension is not misused?

[Free text box] ***Suggest further review after six months and that interim suspension could only continue after six months if there was an ongoing police investigation involving the Councillor.***

Question 31

Do you think councillors should be disqualified if subject to suspension more than once?

- Yes – twice within a 5-year period should result in disqualification for 5 years
- Yes – but for a different length of time and/or within a different timeframe (in years) [Number boxes]
- No - the power to suspend members whenever they breach codes of conduct is sufficient
- Any other comments [free text box] ***It should be made clear that this would only apply where a Councillor has been found guilty of a breach of the code of conduct on two occasions where the appropriate sanction determined by the Standards Committee is suspension for more than 3 months on each occasion. However, the introduction of disqualification is likely to make the process more legalised.***

Question 32

Is there a case for immediate disqualification for gross misconduct, for example in instances of theft or physical violence impacting the safety of other members and/or officers, provided there has been an investigation of the incident and the member has had a chance to respond before a decision is made?

- Yes
- No
- Unsure
- [Free text box] ***There may be some difficulty in how this works in practice. For instance, what standard of proof will be used? This will affect the application of this sanction.***

Question 33

Should members have the right to appeal a decision to suspend them?

- Yes - it is right that any member issued with a sanction of suspension can appeal the decision
- No – a council's decision following consideration of an investigation should be final
- Unsure

Question 34

Should suspended members have to make their appeal within a set timeframe?

- Yes – within 5 days of the decision is appropriate to ensure an efficient process
- Yes – but within a different length of time (in days) [10]
- No – there should be no time limit for appealing a decision

Question 35

Do you consider that a complainant should have a right of appeal when a decision is taken not to investigate their complaint?

- Yes
- No
- Unsure

Question 36

Do you consider that a complainant should have a right of appeal when an allegation of misconduct is not upheld?

- Yes
- No
- Unsure

Question 37

If you answered yes to either of the previous two questions, please use the free text box below to share views on what you think is the most suitable route of appeal for either or both situations.

[Free text box]

Question 38

Do you think there is a need for an external national body to hear appeals?

- Yes – an external appeals body would help to uphold impartiality
- No – appeals cases should be heard by an internal panel
- Any further comments [free text box] ***It may be appropriate to use the First Tier Tribunal.***

Question 39

If you think there is a need for an external national appeals body, do you think it should:

- Be limited to hearing elected member appeals
- Be limited to hearing claimant appeals
- Both of the above should be in scope
- Please explain your answer [free text box] ***It would be proportionate for an elected member to be able to appeal a suspension. We have not supported the concept of claimant appeals in our previous answers.***

Question 40

In your view, would the proposed reforms to the local government standards and conduct framework particularly benefit or disadvantage individuals with protected characteristics, for example those with disabilities or caring responsibilities?

Please tick an option below:

- it would benefit individuals with protected characteristics
- it would disadvantage individuals with protected characteristics
- **neither**

Please use the text box below to make any further comment on this question.

[Free text box] ***The system needs to be designed so that there is adequate support for Councillors with protected characteristics such as Councillors who are neurodiverse otherwise it may prevent Councillors with protected characteristics from standing for election in the first place.***

This page is intentionally left blank

AUDIT and GOVERNANCE COMMITTEE 15 JANUARY 2025

INTERNAL AUDIT 2024/25 PROGRESS REPORT

Report by the Executive Director of Resources and Section 151 Officer

RECOMMENDATION

1. The Committee is RECOMMENDED to

Note the progress with the 2024/25 Internal Audit Plan and the outcome of the completed audits.

Executive Summary

2. This report provides an update on the Internal Audit Service, including resources, completed and planned audits.
3. The report includes the Executive Summaries from the individual Internal Audit reports finalised since the last report to the September 2024 Committee. Since the last update, there have been no red reports issued.

Progress Report:

Resources:

4. A full update on resources was made to the Audit and Governance Committee in May 2024 as part of the Internal Audit Strategy and Plan for 2023/24, and a further update made to the September 2024 meeting. Since then our Principal Auditor has returned from maternity leave in October 2024 and from January 2025 will be acting up to an Audit Manager role for a period of 6 months, this is to support the other Audit Manager with current capacity issues and offers an excellent development opportunity for the Principal Auditor. One member of the team is currently on long term sickness absence, we are currently assessing the impact of this on delivery of the remainder of the plan and we are reallocating/prioritising work within the team

2024/25 Internal Audit Plan:

5. The 2024/25 Internal Audit Plan, which was agreed at the May 2024 Audit & Governance Committee, is attached as Appendix 1 to this report. This shows current progress with each audit and any amendments made

to the plan. The plan and plan progress is reviewed regularly with senior management. For 2024/25 there have been eight amendments to the plan (four additions and four audits deferred until the 2025/26 plan). These are included in appendix 1.

6. There have been 9 audits concluded since the last update, summaries of findings and current status of management actions are detailed in Appendix 2. The completed audits are as follows:

Final Reports 2024/25:

Directorate	Audit	Opinion
Resources	Social Value Policy	Amber
Children's	Multiply Controls Assurance	N/A
Procurement	Strategic Contract Management	Amber
IT	OCC EYES/LIFT IT Application	Amber
IT	Cyber Security	Green
IT	Identity and Access Management	Amber
Children's	Direct Payments	Amber
Environment & Highways	Highways Contract	Green
Environment & Highways	Income Collection & Parking Account	Amber

PERFORMANCE

6. The following performance indicators are monitored on a monthly basis.

Performance Measure	Target	% Performance Achieved for 24/25 audits (as at 04/12/24)	Comments
Elapsed time between start of the audit (opening meeting) and Exit Meeting.	Target date agreed for each assignment by the Audit manager, stated on Terms of Reference, but should be no	75%	Previously reported year-end figures: 2023/24 67% 2022/23 71% 2021/22 59%

	more than 3 X the total audit assignment days (excepting annual leave etc)		
Elapsed Time for completion of audit work (exit meeting) to issue of draft report.	15 days	82%	Previously reported year- end figures: 2023/24 96% 2022/23 89% 2021/22 86%
Elapsed Time between receipt of management responses to draft report and issue of final report.	10 days	100%	Previously reported year- end figures: 2023/24 100% 2022/23 92% 2021/22 66%

The other performance indicators are:

- % of 2024/25 planned audit activity completed by 30 April 2025 - reported at year end.
- % of management actions implemented (as at 04/12/2024) – 73% of actions have been implemented. Of the remaining 27% there are 3.7% of actions that are overdue, 18.5% partially implemented and 4.8% of actions not yet due.

(At September 2024 A&G Committee the figures reported were 72.3% implemented, 11.6% overdue, 7.1% partially implemented and 9% not yet due)

- Extended Management Team satisfaction with internal audit work - reported at year end.

Appendix 3

The table in Appendix 3 lists all audits with outstanding open actions, it does not include audits where full implementation has been reported. It shows the split between Priority 1 and Priority 2 actions implemented.

As at 04/12/24, there were 25 actions that are not yet due for implementation (this includes actions where target dates have been moved by the officers responsible), 20 actions not implemented and overdue and 96 actions where partial implementation is reported.

Counter-Fraud

7. The next counter fraud update to Audit & Governance Committee is scheduled for March 2025.

Financial Implications

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

Comments checked by: Lorna Baxter, Executive Director of Resources,
lorna.baxter@oxfordshire.gov.uk

Legal Implications

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

Comments checked by: Paul Grant, Head of Legal and Deputy
Monitoring Officer, paul.grant@oxfordshire.gov.uk

Staff Implications

10. There are no direct staff implications arising from this report.

Equality & Inclusion Implications

11. There are no direct equality and inclusion implications arising from this report.

Sustainability Implications

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

Risk Management

13. There are no direct risk management implications arising from this report.

Lorna Baxter, Executive Director of Resources and S151 Officer

Annex: Appendix 1: 2024/25 Internal Audit Plan progress report

Appendix 2: Executive Summaries of finalised audits since last report.
Appendix 3: Summary of open management actions.

Background papers:

Nil

Contact Officers:

Sarah Cox, Chief Internal Auditor
sarah.cox@oxfordshire.gov.uk

January 2025

APPENDIX 1 - 2024/25 INTERNAL AUDIT PLAN - PROGRESS REPORT

Directorate / Service Area	Audit	Planned Qtr Start	Status as at 19/12/24	Conclusion
Cross Cutting	Transformation - Programmes & Major Projects.	3 / 4	Fieldwork	
Cross Cutting / Resources – Finance & Procurement	Strategic Contract Management	1 / 2	Final Report	Amber
Cross Cutting / Resources – Finance & Procurement	Social Value Policy	1	Final Report	Amber
Cross cutting / Law & Governance	Conflicts of Interest & Gifts and Hospitality	2	Fieldwork	
Cross Cutting	Joint Internal Audit & Counter Fraud proactive review – Travel Expenses	1 / 2	Exit Meeting	
Cross Cutting / Resources – Finance & Procurement	Delivery of Savings & Investments	2	Fieldwork	
Cross Cutting	Follow Up – 2023/24 audits (Addition to plan)	3 / 4	Fieldwork	
Childrens	Independent Reviewing Officer	1 / 2	Exit Meeting	
Childrens	Transformation Programme – including Financial Management	Deferred until 25/26 plan	n/a	n/a
Childrens	Direct Payments	1 / 2	Final Report	Amber
Childrens	Supported Families	Ongoing	Ongoing	n/a
Childrens & Resources – IT	EYES & LIFT - IT Application Review	2	Final Report	Amber
Childrens	Primary School 1	1	Final Report	Amber
Childrens	Multiply Grant (Addition to plan)	1	Final Report	n/a

Childrens	Education Health Care Plan Top ups (Addition to plan)	3	Fieldwork	
Adults	Client Charging	3 / 4	Fieldwork	
Adults	Void Management	3	Fieldwork	
Adults	Discharge to Assess	4	Scoping	
Resources – Property, Investment & Facilities Management	Property Strategy Implementation	1	Final Report	Green
Resources – Property, Investment & Facilities Management / Cross Cutting	Utilities Management	3 / 4	Fieldwork	
Resources – Workforce & OD	Recruitment – Applicant Tracking System	Deferred until 25/26 plan	n/a	n/a
Resources – Workforce & OD	Mandatory Training	2	Fieldwork	
Resources – Workforce & OD	Retention – Employee Feedback	3 / 4	Scoping	
Resources – Finance & Procurement	Pensions Administration	4	Scoping	
Resources – Finance & Procurement / Childrens – Education	Schools S151 Assurance	3	Fieldwork	
Resources - IT	Identity and Access Management	3	Final Report	Amber
Resources – IT / Cross Cutting	Artificial Intelligence	4	Fieldwork	
Resources – IT	Cyber Security	3	Final Report	Green

Resources – IT / Cross Cutting	Data Management and Utilisation	4	Fieldwork	
Resources – IT	Corporate Website	2	Final Report	Amber
Customers & Cultural Services	Library System – IT Application review	1	Final Report	Amber
Environment & Highways	Highways (new contract mobilisation)	3	Final Report	Green
Environment & Highways	Income Collection & Parking Account	1 / 2	Final Report	Amber
Economy & Place	S106 – New IT System	Deferred until 25/26 plan	n/a	n/a
Environment & Highways	HIF1 (Didcot Garden Town Housing Infrastructure Fund)	Deferred until 25/26 plan	n/a	n/a
Environment & Highways / Economy and Place	Planning Application Appeals (Addition to plan)	4	Scoping	n/a
Grant Certification				
Local Authority Delivery Grant, Phase 3 (LAD3),				
Local Transport Capital Block Funding grant for 2023/24, no 31/6680 and 31/6681				
Local Authority Bus Subsidy (Revenue) Grant, 2023/24, 31/6909				
Disabled Facilities Grant 2023/24, initial grant allocation (grant determination reference 31/6672) and additional allocation (grant determination 31/6833).				

Amendments to Internal Audit Plan:

Childrens - Multiply Audit	Addition to plan. The Multiply Grant is DfE funding received in relation to adult learning provision to improve adult numeracy. Guidance issued by the DfE in relation to this grant has required independent assurance regarding the controls in place. The audit will review controls and compliance with the grant conditions.
Childrens – EHCP Top-ups	Addition to plan. Top-ups to an Education, Health and Care Plan (EHCP) refers to additional funding provided by local authorities to schools to provide SEND support to individual students with an EHCP. The audit will provide assurance over the application for funding, the accuracy and timeliness of top-up payments and the processes for tracking how top-up funding is used, that intended support is provided for the individual student and that outcomes/improvements are delivered.
Follow Up – 2023/24 Audits	Addition to plan. A follow up audit has been added to the 2024/25 internal plan, which has selected five audits completed during 2023/24 and for each audit undertaken follow up testing on a sample of implemented management actions. This is to form an opinion on the effectiveness of the implementation of the agreed actions.
Environment & Place – S106 (new IT system)	Deferred to 2025/26 plan. A new IT system has been implemented which records secured, held and allocated S106 contributions. The audit planned to follow on from the audit completed in 2023/24, reviewing the effectiveness of the system in the management, oversight and reporting of contributions. However there is now a significant piece of work being completed as part of the transformation programme to review the S106 end-to-end processes. Some of the outstanding actions from previous internal audit activity will be covered as part of the process review work. It has been agreed with the Executive Director of Resources that the audit will be deferred until the 2025/26 internal audit plan to provide assurance on the effectiveness of the new processes once implemented.
Resources – Workforce & OD – Recruitment Applicant Tracking System	Deferred to 2025/26 plan. Recruitment activity is moving away from being delivered by the (IBC) Integrated Business Centre and an in-house resourcing team is being created. A new applicant tracking system is being implemented. The audit planned to review the processes in place / operation of the system to ensure effective management of applications. The system will not be fully live until January 2025, so it has been agreed with the Executive Director of Resources that the audit will be deferred for 3 months to

	quarter 1 of the 2025/26 internal audit plan, to allow time for the system to become fully operational and embedded.
Environment & Highways - HIF1 (Didcot Garden Town Housing Infrastructure Fund)	Deferred to 2025/26 plan. HIF 1 is a major infrastructure programme, which is part funded from the Homes England's Housing Infrastructure Fund. The audit planned to review the programme delivery assurance and governance arrangements; however the application was called in by the Secretary of State and a public enquiry into the scheme was held in May 2024. The decision regarding the planning application has recently been received back from the Planning Inspectorate (December 2024). The application has been approved and the project is able to proceed. It has been agreed with the Executive Director of Resources that the audit will be deferred until the 2025/26 internal audit plan.
Environment & Highways / Economy and Place – Planning Application Appeals	Addition to plan. An audit of the planning application appeals process has been included for quarter 4 of the 2024/25 internal audit plan, at the request of the Chief Executive and the Executive Director of Resources.
Childrens – Transformation Programme – including financial management.	Deferred to 2025/26 plan. It has been agreed with the Executive Director of Resources that this audit will be deferred, for 3 months, until quarter 1 of the 2025/26 internal audit plan to provide capacity to undertake the audit of the planning application appeals process.

This page is intentionally left blank

APPENDIX 2 - EXECUTIVE SUMMARIES OF COMPLETED AUDITS

Summary of Completed Audits since last reported to Audit & Governance Committee May 2025

Social Value Policy 2024/25

Overall conclusion on the system of internal control being maintained	A
---	---

RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
A: Governance and Reporting	A	0	5
B: Procurement	A	0	2
C: Contract Management	A	0	1
		0	8

Opinion: Amber	
Total: 8	Priority 1 = 0 Priority 2 = 8
Current Status:	
Implemented	8
Due not yet Actioned	0
Partially Complete	0
Not yet Due	0

A: Governance & Reporting

There is a Social Value Policy in place, with a cabinet member and senior officer for social value assigned to lead and govern the policy. The Social Value Policy is accessible on the Council's intranet site.

Internal monitoring and reporting mechanisms exist in the form of a quarterly business report and an annual report on social value that are created in collaboration with Social Value Portal (SVP) (a third-party social enterprise evaluating supplier social value submissions). Day-to-day, the Procurement Policy & Governance Officer, contract managers and others across the Council have access to a live SVP dashboard and can see the status of their contracts from a social value requirements perspective.

A comprehensive learning plan is in place for the procurement team related to the Social Value Policy. New team members must complete this plan within six months. Line managers are responsible for monitoring staff engagement with the plan. However, we noted that the Procurement Policy and Governance Officer does not

receive assurances from line managers on the uptake and completion of the learning plan by their staff.

We noted that contract governance arrangements to oversee the SVP provider could be further enhanced and formalised. For example, standing agendas are not used for contract meetings, and actions are not assigned action owners and due dates in the actions tracker.

The Council were made aware, by SVP, of a recent conflict of interest issue regarding a procurement whereby SVP was responsible for both evaluating the social value tender responses and providing social value consultancy services to one of the bidders. In response, we understand from management that SVP has confirmed that they have put in place additional controls to prevent the issue from arising again and have reported that this is an isolated incident.

B: Procurement

The Social Value Policy outlines the assessment and evaluation criteria for social value commitments, the overall scoring process, and the threshold assessment or exception waiver criteria. The formal contract or terms and conditions with contractors also clearly states the social value commitments made as a part of the winning bidder's response.

We tested a sample of contracts that we understood to contain social value commitments and were being monitored by SVP to validate that all key stages and requirements of the Social Value Policy were followed and could be evidenced. We noted that the listings provided for sample selection were inaccurate as the Social Value Policy was found not to be applicable to some contracts. Other exceptions related to missing documentation to evidence key stages and requirements of the process. A centralised repository to store all Social Value Policy related evidence and documentation does not exist.

C: Contract Management

The Social Value Policy is accessible to all suppliers to give them information and details on how to use the portal as well as the Council's social value expectations. SVP publishes video training materials in their online help centre and clients who have registered accounts can access all the materials available there.

SVP is responsible for monitoring social value commitments made by the Council's suppliers, which includes receiving social value data directly from suppliers, evaluating and validating the data, and making it available within the portal. However, we noted that there is a lack of oversight and understanding of how SVP carries out the evaluation and monitoring process, it has only been verbally communicated. Additionally, although SVP is responsible for ensuring the accuracy of social value data through validation checks as per the engagement letter, management does not have direct oversight of or assurance over these validation processes.

Multiply Controls Assurance 2024/25 (23/24 Grant)

Opinion: N/A	
Total: 3	Priority 1 = 0 Priority 2 = 3
Current Status:	
Implemented	0
Due not yet Actioned	3
Partially Complete	0
Not yet Due	0

The purpose of the Multiply initiative is the delivery of programmes which improve adult numeracy. Oxfordshire County Council received Multiply grant funding for the 2023/24 financial year. The Department for Education (DfE) requires that multiply grant spend for the financial year is audited and reported on and that a copy of the report is sent to the DfE. The grant conditions also require that reporting and sign off from the Chief Executive and Chief Finance Officer is provided confirming that the grant was received and was used for the purposes for which it was received.

Internal Audit reviewed the controls in place in relation expenditure on the Multiply Grant for the 2023/24 financial year, considering receipt of grant income, recording of expenditure, compliance with grant conditions, performance reporting and submission of data returns. Improvements were noted as being required in the following areas:

Processes for the monitoring of delivery - It was reported that there was ongoing discussion and monitoring of progress in delivery of learning against the defined targets, but that much of this was not documented and there had been limited performance reporting produced by the Provider.

Grant Expenditure and Government Returns / Reporting – It was not possible to fully reconcile grant expenditure totals to the Council's finance system. Queries were raised with Finance and with the Service in relation to the differences noted. These were subject to ongoing validation by Finance in conjunction with the Service to ensure any necessary corrections can be made and reported to the DfE. Improvements to reconciliation processes will be embedded for grant spend for 2024/25.

An external QA provider was also commissioned to review the delivery by the Provider. Internal Audit confirmed that the Service obtained some invoice documentation, learner feedback, example learning plans and evidence of learning walks / observations from the Provider, although it is understood that the sample was not directed by the Council (sample provided was determined by the Provider). Controls in this area will be improved for future Provider activity with the Council determining the sample to be evidenced by the Provider for review.

Strategic Contract Management 2024/25

Overall conclusion on the system of internal control being maintained	A
--	----------

RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
A: Governance and Reporting	A	1	2
B: Procurement	A	0	3
C: Contract Management	R	1	5
		2	10

Opinion: Amber	
Total: 12	Priority 1 = 2 Priority 2 = 10
Current Status:	
Implemented	1
Due not yet Actioned	0
Partially Complete	8
Not yet Due	3

Following previous individual contract management audits which identified a mixed picture of the robustness and consistency of contract management, this audit was carried out to review whether strategic contract management is in place both at an organisational level and at an individual contract level for a sample of platinum contracts (all contracts are classified as bronze, silver, gold or platinum, using a consistent scoring tool which uses various factors including contract value, term, and complexity).

The Provision Cycle Handbook was introduced in January 2021 to provide a step-by-step guide on how to undertake commissioning, procurement and contract management activities across the Council. The Provision Cycle Handbook outlines best practice in undertaking provision cycle activities, identifies roles and responsibilities, provides supporting documents and templates, and is intended to promote a consistent and robust approach to the whole provision cycle of which contract management is a part.

In addition to the Provision Cycle Handbook, the Contract Management Framework was updated in September 2021 with the aim of creating a consistent approach to contract management, improving awareness and quality of contract management activity and setting out responsibilities between the Senior Relationship Officer (SRO), the service area and the procurement and contract management hub, in accordance with the four different classifications of contracts (bronze, silver, gold, platinum).

The aims of the 2021 Contract Management Framework have not yet been fully implemented and achieved. The audit has confirmed that there are still inconsistencies in the approach to strategic contract management across the Council. Guidance set out in the Provision Cycle Handbook and Contract Management Framework is not being consistently followed. Contract management plans are not in place for all platinum contracts, although these arrangements are now under review and are being developed to address any gaps that exist. Improvements are required to management information and reporting to provide better strategic oversight of contract management activity and achievement of objectives. Information such as spend analysis is significantly hampered by inaccurate matching of spend information onto contracts.

During the audit it was identified that, as part of the Commercial Transformation Programme, there are multiple projects being scoped to review and improve contract management processes to address weaknesses identified by the Director of Financial and Commercial Services. Management have reported that a number of the issues identified as a result of this audit are already being covered and will be addressed as part of those projects.

Governance

The audit found that there is comprehensive guidance on strategic contract management activity, including that contained within the Provision Cycle Handbook and the Contract Management Framework. These documents are accessible via the Procurement and Contract Management SharePoint site and from the procurement pages on the Council's Intranet.

The Provision Cycle Handbook and the Contract Management Framework both also include guidance on roles and responsibilities for strategic contract management (as well as other aspects of procurement and contract management activity). In addition to this, testing confirmed that job descriptions for relevant roles within the procurement and contract management hub appropriately reflect strategic contract management and related activities.

However, audit testing identified examples where the arrangements in place do not match the guidance set out in the Provision Cycle Handbook or Contract Management Framework. There are inconsistencies in strategic contract management activity across the organisation.

Strategic Contract Management

The Provision Cycle Handbook refers to strategic contract management, in relation to an individual contract, as the process of managing the strategic elements of a contract e.g. resolution of major issues, commercial terms, variations, complaints, overall performance management. This is separate from, and additional to, the processes for *operational* contract management which is the day-to-day management of contracts including tactical issue resolution, administration, payments and so on. Under Strategic Contract Management, the handbook also refers to the development and sign off of a "strategic contract management plan" for each contract.

For the sample of contracts looked at, some strategic contract management activity was found to be in place for most contracts, however from the information provided, inconsistencies in the approach to strategic contract management and how robust and proactive the arrangements are, were noted.

None of the contracts in the sample had a document called a “strategic contract management plan” as referred to in the Provision Cycle Handbook, and in many cases the officers were unaware of the guidance referring to such a document. We found areas of good practice where strategic contract management is in place and appears to be embedded into business-as-usual and working effectively. For example, Public Health has a strategic contract management framework in place for their platinum contracts (three contracts within the audit sample). They do not have specific documents titled “strategic contract management plan” however the activity in place includes the elements that would be included in the plan. For the Adults category, formal contract management plans have recently been implemented for some contracts (including two contracts within the sample) and it is understood that these will be introduced for other contracts within the category. It was also reported by senior management within HESC that the new strategic contract management arrangements that have recently been introduced, together with associated relationships with the strategic providers, are a significant improvement and are working well.

The sample included two platinum contracts for directorate based IT systems, for which we have been unable to confirm what strategic contract management arrangements had been in place during the period reviewed, because the previous senior manager had left without any handover of the contract management arrangements. It is understood effective strategic contract management for these contracts is in the process of being reinstated. This has highlighted a wider weakness in terms of roles and responsibilities for contract management of IT directorate-based applications. With IT applications, as well as the usual contributors i.e. the external provider, the procurement and contract management hub and the service area, there is also the IT service which adds another dimension, and there is more potential for key contract management responsibilities to be missed if everyone is not clear on roles and responsibilities.

Strategic Management Information and Oversight

There is not a consistent reporting mechanism to provide strategic oversight of management information, including achievement or otherwise of strategic objectives and spend analysis. The Contract Management Framework 2021 had identified the requirement to develop a supplier performance dashboard, which would cover reporting on quality, service, cost and risk however this has not yet been implemented. The main aim of the work being undertaken through the Commercial Transformation Programme, is to fully review what is required in relation to contract management across the Council, including roles and responsibilities and processes. Once this part of the programme is completed, management will be in a position to define strategic management information and reporting requirements. Spend analysis is inconsistent and is significantly hampered by inaccurate matching of spend information onto contracts and data quality issues for data recorded in Atamis. Note that the allocation of spend within Atamis is purely for the provision of management information and does not indicate that the actual payments were

inaccurate. However meaningful spend analysis is only possible once the spend data has been significantly corrected. Many of these are known issues and as mentioned above there are projects currently being scoped as part of the Commercial Transformation Programme, to review and improve issues including data & reporting, spend data analysis, and contract management.

The issues identified by the audit include:

- spend is being allocated to the wrong contracts, for example if there are multiple contracts with the same supplier then spend is attributed to the contract with the biggest spend.
- spend analysis is not carried out consistently, it is undertaken on an ad hoc basis or when prompted by a specific need
- there was no evidence provided of spend analysis being reported quarterly to DLTs
- category managers are trying to implement periodical spend analysis however this entails significant effort to first improve the accuracy of the management information
- if the supplier name is not an exact match then spend may be incorrectly categorised as off contract spend
- there is £3.6m of spend attributed to a “test” contract instead of being allocated to the correct contracts.
- fields within the system are not being fully utilised, there are also some where fields are intended to be used but are not used consistently as they have not been made mandatory.
- spend data is usually uploaded into Atamis from SAP every month, however there was recently a gap of 3 months where data was not uploaded promptly
- data housekeeping issues, such as suppliers with more than one supplier name and therefore more than one supplier record
- missing data issues, for example 2 active platinum contracts and 63 active gold contracts have no SRO (Senior Relationship Officer) listed on Atamis, examples where there is no contract manager listed on Atamis including for 4 gold and 10 silver contracts and where contract managers and SROs named no longer appear to be employed by the Council

Supplier Financial Alerts - The Council has a contract with an external provider to provide financial reporting on prospective and ongoing suppliers and to provide automatic updates when there is a relevant change in a company's status, which occurs for various reasons such as a change of director, or a profit warning. If the alert indicates an increased risk to the council in their dealings with the supplier, action may be needed to manage the risk. It was reported that an alerts system is in place and that category managers are receiving alerts, however there is no overall assurance mechanism to confirm that all relevant companies are set up for alerts. It was also identified that there is usually no requirement to repeat due diligence checks on suppliers (such as financial analysis or verifying insurance and other contractual requirements) during the life of a contract, unless the contract is being renewed or extended. This means that those checks might not be carried out for several years.

OCC EYES/LIFT IT Application 2024/25

Overall conclusion on the system of internal control being maintained	A
---	---

RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Logical Security	G	0	0
Access Rights	A	0	1
System Administration	A	0	3
Audit Trails	G	0	0
Data Backups	G	0	1
System Support	A	0	3
		0	8

Opinion: Amber	
Total: 8	Priority 1 = 0 Priority 2 = 8
Current Status:	
Implemented	1
Due not yet Actioned	1
Partially Complete	3
Not yet Due	3

The Early Years and Education System (EYES) went live in August 2022 and is the primary system within the CEF Education Service. The Liquidlogic Integrated Finance Technology (LIFT) system went live at the same time for finance and payments within Early Years, Supported Transport and Special Educational Needs. The authentication of users on both systems is well controlled and system backups are performed daily and copies are safeguarded. The main areas for control improvement relate to reviewing user access, system administrator access and performing a post implementation review to confirm the anticipated benefits of EYES have been realised. There is an issue on LIFT relating to errors in payment processes for early years providers which is being managed by finance and ITID (IT, Innovation, Digital and Transformation). Further details on this are given below.

Logical Security:

The systems use Single Sign-On (SSO) for user authentication which confirms a user's identity based on their network credentials. There are a small number of

external users on EYES and the password policy for these accounts is configured in accordance with corporate IT policies. In addition, these users are subject to multi-factor authentication.

Access Rights:

User access within the two systems is defined using 'profiles' and users are allocated a single profile on each system. Each profile has a number of rights associated with it. A review of user access has not been performed since the systems were implemented and hence there is a risk that users with incorrect levels of access are not identified and addressed.

System Administration:

System administration is performed by the ITID Application and System Support team. Members of the team work across all the corporate applications they support to ensure there is no key person dependencies. We reviewed users with system administrator access on EYES and identified some exceptions that should be addressed to ensure privileged access is better controlled. There are a smaller number of users with system administrator access on LIFT and they were confirmed to be valid. The supplier has a number of network accounts which they use for providing support and these accounts are permanently enabled as some of their work is done out-of-hours. The cyber risk associated with leaving accounts enabled should be documented and signed-off at a management level. Sample testing of new starters identified one case where a request for a new account was not appropriately authorised at line management level, which increases the risk of unauthorised access to systems.

Audit Trails:

There is a default audit trail on EYES and LIFT which is not locally configurable. The EYES audit trail is comprehensive and can be searched for key activity, when it was performed, by whom and has details of any changes made. The LIFT audit trail is not as comprehensive and is further restricted in that searches can only be made for a 40-day period at a time. This is a system design limitation and cannot be changed.

Data Backups:

The EYES and LIFT databases are backed up overnight and transaction logs are backed up every two hours. A copy of the backups are held in an air-gapped environment to protect them from ransomware attacks. The systems are designed with a failover capability between the primary and secondary data centres to minimise downtime in the event of an issue or component failure. The failover arrangements reduce reliance on backups for system recovery purposes, although they would be required in the event of a server or database corruption. A recovery test of SQL backups has not been performed to confirm that the database can be recovered within agreed timescales.

System Support:

There is a formal contract for the EYES and LIFT systems, which include support and maintenance. The EYES system was upgraded to the latest version on 10 August 2024. All user support queries are logged with the ITID service desk and any that cannot be resolved by the Applications and System Support team are escalated to the supplier. There are a significant number of open support calls with the supplier

which resulted in the account meetings being replaced by discussions between the previous IT Director and the supplier's Chief Executive. These discussions have now ceased and whilst there has been some improvement in the supplier's performance, it is recommended that the account meetings are resurrected to keep the status of all support calls under review.

A post implementation review of EYES has not been performed to confirm that the stipulated benefits in the original business case have been realised. There are system errors on LIFT relating to the payment of early years providers and the issues are documented and the risk is being managed by Finance and ITID. The system errors are not going to be fixed as LIFT is being phased out by the supplier and will be replaced with ContrOCC for early years payments from April 2025. The implementation of ContrOCC should be fully tested and only signed off once it is confirmed there are no processing errors.

Cyber Security Review 2024/2025

Overall conclusion on the system of internal control being maintained	G
---	----------

RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
User Education and Awareness	G	0	0
Malware Scanning	G	0	1
Supply Chain	A	0	3
Incident Response Plan	G	0	0
		0	4

Opinion: Green	
Total: 4	Priority 1 = 0 Priority 2 = 4
Current Status:	
Implemented	0
Due not yet Actioned	0
Partially Complete	0
Not yet Due	4

Cyber security continues to remain one of the biggest risks faced by organisations, given the almost endless reports of security incidents, data breaches, ransomware, phishing and other cyber-attacks. All organisations reliant on technology systems are vulnerable to cyber-attacks and must operate strong security controls to minimise the risk of any attack being successful. The review found there are good controls in

place over user education and awareness, malware scanning and cyber incident response planning. In recent years there has been a significant increase in the number of cyber-attacks resulting from vulnerabilities within the supply chain and this is an area where controls need to be strengthened to ensure risks are being effectively managed.

User Education and Awareness:

All users are required to undertake mandatory training on cyber security and in April 2024 it was confirmed that all current users had completed their training. This is an excellent achievement. The cyber training is being refreshed for 2024-25 and the new training will be bespoke for some service teams and more interactive for everyone else. Phishing simulation exercises are performed and users who click on the link within the test email have to undergo additional phishing training. Key messages on cyber, including details of any specific threats, are communicated via Yammer and directly on email when it is deemed more urgent.

Malware Scanning:

A defence in depth approach is adopted to scanning for viruses and other malware threats. The antivirus software installed on computer endpoints was reviewed and found to be suitably configured, maintained and monitored. Coverage of antivirus software should be extended to include corporate Android devices as they are susceptible to malware threats. Internet downloads are scanned for malware by a separate tool which also blocks access to malicious websites and capital funding has recently been secured for a new Endpoint Detection & Response (EDR) solution which will further strengthen security against malware and other cyber threats. ITID subscribe to the National Cyber Security Centre (NCSC) Mail Check and Web Check services.

Supply Chain:

A set of ICT technical requirements are documented for new technology procurements and include areas of cyber security. Beyond this there is little evidence of any management of cyber risk in the supply chain. A review of existing suppliers has not been performed to identify those that pose the greatest cyber risk, cyber security is not included within contract management arrangements and contractually there is no obligation on suppliers to maintain any confirmed cyber security certifications, such as ISO27001 and Cyber Essentials, during the life of the contract.

Incident Response Plan:

The documented Cyber Incident Response Plan has been maintained and was tested in May 2024 as part of a council-wide business continuity exercise. The exercise was based on a cyber incident affecting the supply chain. The ITID actions from the exercise have been completed.

Identity and Access Management Review 2024/25

Overall conclusion on the system of internal control being maintained	A
---	---

RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Governance and Oversight	A	0	2
Accounting Provision	A	0	5
Account Deprovisioning	A	0	2
Movers	A	0	1
User Authentication	G	0	0
Third-Party Accounts	G	0	1
		0	11

Opinion: Amber	
Total: 11	Priority 1 = 0 Priority 2 = 11
Current Status:	
Implemented	0
Due not yet Actioned	1
Partially Complete	0
Not yet Due	10

Identity and Access Management (IAM) is a framework of processes, policies and technologies that are implemented to control user access to digital systems, data and resources. The audit has found that the identity of users is appropriately verified at a network level but the controls around the management of user accounts can be improved. This includes the provisioning and deprovisioning of accounts as well as access for users who change roles. Third-party accounts are generally well managed, although we have identified that agreed procedures are not always followed.

Governance & Oversight:

The area of IAM is covered within a number of documented IT policies, which are all current and valid. A review of the policies found they cover the provisioning and deprovisioning of user accounts and third-party access but do not have any details on authorisation requirements for new user accounts or managing access for users who move roles within the Council. The procedures for managing starters, leavers and movers is not documented to define operational processes and also specific

roles and responsibilities. There is a dedicated systems administration team within ITID who lead on the day-to-day management of user accounts.

Account Provisioning:

New user accounts are requested using an online starter form that is available on the Intranet. Any existing user can request a new account and they self-certify that they are authorising the person's access. No further authorisation is sought, which increases the risk of accounts being created for unauthorised access. The starter form requires the name of an existing user whose permissions are copied, which is bad practice as it assumes that the copied account has the correct level of access.

New accounts for permanent employees require the National Insurance (NI) number to be supplied so that their network account can be linked to their IBC record. A copy of the NI number is retained within the user's network account profile. The use of the NI number should be reviewed by the Information Governance team to confirm processing is in accordance with Data Protection requirements.

New users are added to security groups depending on which service area/team they work in but membership of groups is not subject to any formal review. Scripts have been developed to automate many of the tasks relating to user accounts and formal documented procedures are required to confirm how changes to scripts should be managed and tested.

Account Deprovisioning:

There is a process for managers to report leavers to ITID so that their user accounts can be disabled. We tested a sample of recent leaver reports and confirmed that the system is working effectively and that user accounts have been deleted. The current system for leavers is reliant on ITID being notified by managers as they do not receive any leaver reports from HR or review accounts to identify any that have not been accessed for a defined period of time. There is therefore a risk that not all leaver accounts are deleted on a timely basis. All accounts for temporary users, such as contractors, are set with an expiry date.

Movers:

For users who change roles, a movers form is used to request their security group permissions to be updated. The current procedure has the same risks as reported above for new starters as mover requests are not authorised and the new access is copied from an existing user.

Security groups classified as "restricted" are not automatically added as part of the mover process but we found that not all groups are classified, hence any which are not but hold sensitive data could inadvertently be given to the user. Some security groups are managed locally by service areas and it is their responsibility to remove movers from these groups but this does not always happen, which leaves a risk that movers retain access to network files they do not need for their new role.

User Authentication:

The requirements for user authentication are defined within corporate IT policies and there is a robust password policy for authenticating the identity of network users. Previous audits have confirmed that multi-factor authentication is used for remote access. For new accounts, a strong password is generated which has to be changed at first login by the user. There is audit logging of user activity, which includes logon

and logoff times, should this information be required to investigate security incidents or suspicious activity.

Third-Party Accounts:

There are procedures in place for managing third-party accounts, which includes a process for requesting them to be enabled and then only for a specified period of time. We sample tested five supplier accounts that were enabled at the time of the audit and found two which had no expiry date and where the service desk reference is from the old system so no details are available. One other open account was not linked to any service desk ticket. This presents a risk that supplier accounts are left open for longer than required and could be compromised in a cyber-attack.

Direct Payments 2024/25

Overall conclusion on the system of internal control being maintained	A
--	----------

RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
A: Governance, Policies & Procedures	A	0	13
B: Direct Payments Operational Processes	A	0	5
C: Direct Payment Usage	A	0	13
D: Payment Accuracy	G	0	4
		0	35

Opinion: Amber	
Total: 35	Priority 1 = 0 Priority 2 = 35
Current Status:	
Implemented	1
Due not yet Actioned	0
Partially Complete	0
Not yet Due	34

Children's direct payments are made on behalf of Children's Social Care, Education and Health. These arrangements are either via a managed account or are self-managed by a representative of the child. The need for a children's direct payment is determined by Children's Social Care, Education or Health, with advice and guidance on the set up of the direct payment provided by the Direct Payment Advice Team (DP Advice Team), with the exception of Education. Direct payment arrangements are set up, paid and overseen by different parts of the Payments & System Data Team which sits with Adults Social Services.

The key areas for improvement identified from audit testing relate to differences in approach to Education direct payments, in ensuring that all relevant children's direct payments are identified for audit by the Direct Payment Audit Team (DP Audit Team), that there is clarity over the process, roles and responsibilities for responding to queries resulting from direct payment audits (DP audits), in relation to the oversight of managed accounts, and in ensuring that there is an appropriate approach in place for the monitoring and clawback of children's direct payment account balance surpluses. There is also a need to review the need for and develop management information on children's direct payments for service areas.

Governance, Policies & Procedures – Within Children's there is a mix of self managed and managed direct payments. Online direct payments, which provide greater oversight to the Council on spend and balances, are not used. It is noted that there is no overarching strategy or approach within Children's over the use of direct payments (for example to promote the use of managed accounts where possible) and no guidance on children's direct payments on the Council's website.

There are defined processes in place within Education and Children's Social Care in relation to the set up and ongoing consideration of children's direct payments, however the approach, particularly within Education, has evolved and is not consistent with direct payment processes in other parts of Children's or Adults. For example, a different form of direct payment agreement is used, the DP Advice Team (whose role is to ensure that direct payments are set up consistently and correctly and provide support and guidance to direct payment recipients / their representatives), until very recently, have not had any involvement in the set up of Education direct payments. These payments are set up for a year at a time rather than being ongoing.

It is positive to note that discussions are already taking place between Education, the DP Advice Team and the Payments and System Data Team to determine how education direct payment processes can be more aligned and how the different teams can work together more effectively. There is a need to clarify roles and responsibilities in relation to direct payment audit activity for Education staff including how DP Audit Team queries should be reviewed and responded to and how the escalation process should work.

In relation to Children's Social Care, whilst they have clearly established processes for setting up and administering direct payments, team level staff guidance is not in place and there are some areas where roles and responsibilities require clarification (for example in relation to the direct payment review process).

The Payments and System Data Team process and pay children's direct payments on behalf of Health. However, as highlighted in the 2023/24 Health Funded Payments audit, there is no signed Memorandum of Understanding or Scheme of Delegation in place which clarifies who the team should accept instructions from or how these instructions should be authorised. Management action to address this was agreed as a result of the separate audit report, but as yet, this has not been implemented.

There is no reporting or management information being produced on children's direct payments for Education or Children's Social Care operational teams or for senior management within Children's in terms of direct payments processed, being made, being audited etc. It is noted that since the previous audit of Adults Direct Payments

in 2022/23 reporting dashboards have been developed to monitor and report on DP Audit team activity.

Direct Payments Operational Processes – Some delays were noted between approval of funding for a direct payment and the submission of the request to the Payments and System Data Team to set up the arrangement. Within Education, it was acknowledged that there are different factors which have caused delays, these include team capacity but also delays in being able to obtain signed agreement from parents / carers as a result of dissatisfaction with the level of support agreed. Improvements to the process for the arrangement of new direct payments within Education including the input of the DP Advice Team should assist in minimising some of these delays going forward.

In terms of Children's Social Care direct payments, there were some cases where delays were noted between panel approval and the submission of the request for the direct payment to be set up, however it was reported that these delays were mainly in relation to completion and sign off of direct payment agreements which must be completed prior to payments commencing and involve working with DP recipient's representatives.

From review of the way in which direct payment operational processes are working within Education, it was noted that the current process (designed prior to the implementation of the EHM system) for referral from the service to the Payments and System Data Team is electronic form / email based. This requires review to determine whether there would be benefit or efficiencies in developing an automated workflow process (which is in place for Children's Social Care and Adults direct payments) to approve new arrangements and communicate requests through to the Payments and System Data Team. There is also a need to review and align the agreement signed by the representative of the direct payment recipient with other service areas and ensure that it appropriately covers aspects including document retention periods and DP Audit Team activity.

Whilst both the service areas and the Payments and System Data Team (DP Audit Team) have processes which include review of the direct payment arrangement, these processes are not co-ordinated and do not inform each other in a systematic way. There is also a lack of clarity / consistency in what coverage of direct payment use is expected as part of the service based review. Although issues or queries raised as a result of a DP audit would be flagged with the relevant contact in the service (although there has been a lack of clarity over who should be contacted within Education and over roles and responsibilities in this area), there isn't any routine information provided on when cases were last audited unless this is specifically requested. Within service areas, although the use of a direct payment should be considered as part of the review process to some extent, there is no clear guidance which sets out what should be considered and what should be flagged with the DP Audit Team.

Direct Payment Usage – The methodology and approach used by the DP Audit Team to determine the frequency of audit of direct payment accounts has recently been reviewed, with a revised approach implemented for adults direct payments. Children's are to be consulted on the proposed changes. There is also a need to review and clarify the escalation process where issues are noted with DP audits of children's direct payments. Whilst queries are referred back to a contact within the

service area in the first instance, there is no agreed escalation process following on from this for Children's.

The audit noted 5 education direct payments which had not been audited as they had not been set up correctly in the DP audit workspace. For other direct payments, the workspace is set up on LAS by the DP Advice Team, however at the time of testing, they were not involved in the set up of education direct payments (instead the workspace should have been set up by the Systems team). There is also no control in place to enable reconciliation of direct payments being made to those being audited and provide assurance that the cases subject to DP Audit are complete.

It is noted that accounts managed by one of the managed account providers are not subject to audit by the DP Audit team. There were specific issues and concerns with this managed account provider highlighted as a result of previous audits of direct payments in Adults, but it has been noted that the process has not changed.

Testing noted that there is a lack of appropriate process in place to monitor, query and, where appropriate, clawback children's direct payment account surplus balances. Self-managed and managed account surpluses are monitored and queried through the DP Audit process; however weaknesses have been noted in the completeness of the DP Audit programme which means that some accounts with surpluses have been and could continue to be missed. The process in relation to one of the managed accounts providers requires review as although there is 6 monthly reporting on surplus balances, it was reported that a previous agreement with Children's means that children's direct payment accounts highlighted on the report are not followed up and surplus balances are not returned. The process for the clawback of surplus balances, particularly for managed accounts was an area for improvement highlighted as a result of 2022/23 Adults Direct Payments audit. The management actions agreed have been noted as not having been effectively implemented.

During previous audits of direct payments, a lack of systematic quality assurance processes in relation to the work of the DP Audit Team was noted. Although management action to introduce quality assurance processes had been reported as fully implemented, this could not be evidenced. Testing noted several areas where there were either errors or delays in the DP Audit process which had not been picked up prior to the audit. Although these examples were not material, the lack of systematic management oversight and quality assurance means that it would be difficult to identify and promptly address any significant issues that did arise.

Payment Accuracy – Testing on a sample of children's direct payments confirmed that payments are being made accurately and promptly once instructions are received by the Payments and System Data Team.

Some issues were noted in relation to the accuracy of cost centre coding for some direct payments as a result of an erroneous temporary change to budget derivation rules on ContrOCC. Management actions have been agreed which will identify and enable correction of incorrect coding and review and update system permissions to prevent this type of change reoccurring in future.

During scoping, the team reported that they were in the process of changing the frequency of invoicing to Buckinghamshire, Oxfordshire, and West Berkshire Integrated Care Board (BOB ICB) to recover direct payments made on their behalf,

moving from annual to quarterly invoicing. It is understood that invoices for 2023/24 and 2024/25 to date are in the process of being agreed with BOB ICB.

Follow Up – As part of this audit, we followed up on the implementation of 7 management actions agreed as part of the 2022/23 Direct Payments audit which related to processes covering both adults and children's direct payments. 3 were confirmed to have been implemented effectively. 4 could not be confirmed to have been implemented effectively, these actions relate to the finalisation and circulation of DP Audit Team Guidance, the confirmation and implementation of a quality assurance process for DP Audit Team activity, agreement and implementation of a process for the audit of managed accounts and the review of segregation of duties in the DP Audit and surplus recovery process. Revised or restated management actions have been included in the detailed findings section of the report below.

Highways Contract 2024/25

Overall conclusion on the system of internal control being maintained	G
--	----------

RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
A: Existing Contract Closure and Transition to New Contract	G	0	1
B: Re-establishing Contract Governance (New Contract)	A	0	1
		0	2

Opinion: Green	
Total: 2	Priority 1 = 0 Priority 2 = 2
Current Status:	
Implemented	0
Due not yet Actioned	0
Partially Complete	0
Not yet Due	2

The audit was performed during the transition period from the old to new contract. As of early December 2024, the new Highways contract is in the final stages of clarification with Milestone and is due to be agreed and signed off by both parties before the end of December. As such, our discussions, testing and review of documentation focused on current and future transition programme activities, some of which have not started yet but are scheduled to be carried out at a later date. Our conclusions do not cover the implementation or design of processes which are still being developed.

Overall, there is a good system of internal control in place and the majority of risks across the areas of scope reviewed are being appropriately mitigated. The approach developed to transition from the old to new contract has been designed in a robust manner. We noted improvements could be made in relation to the implementation of a system/digital platform to more effectively manage compensation events, reducing the risk of manual error and the review and re-prioritisation of existing timelines for training activities to better facilitate the smooth execution of the new NEC4 contract from the 1 April 2025.

A: Existing Contract Closure and Transition to New Contract

Following the tender exercise and the Council's decision to award the new contract to Milestone (the incumbent), a Demobilisation and Mobilisation programme was formally approved. The various workstreams within the two programmes, which are aligned to the workstreams in Milestone's tender submission, contain numerous tasks and activities that once completed, will enable the Council to transition from current ways of working under a NEC3 contract (New Engineering Contract), to new ways of working under a NEC4 contract. The transition from NEC3 to NEC4 involves changes in governance and management practices. The main differences relate to ensuring more specific governance structures for different project types, early contractor involvement to improve project outcomes, encouraging collaboration and proactive problem-solving, a more structured approach to risk management with enhanced risk register processes, making governance more robust, a new tier of dispute resolution, including the option for Senior Representatives and Dispute Avoidance Boards, which aids in resolving disputes more effectively without escalating them, and more flexible payment options.

A governance structure has been established to monitor the progress of the two programmes with the two key governance groups (Demobilisation and Mobilisation Steering Groups) meeting on a bi-weekly basis. The governance structure also includes reporting from those two key groups up to the Council's Highways Operations Board for escalation and decision-making purposes. Formal terms of references and set agendas are in place for both steering groups and highlight reports providing a RAG grading on the status of each workstream are produced for discussion during the meetings. Each workstream has a lead from the Council and a lead from Milestone. Key elements such as stakeholder engagement, risk management, communication channels and training form part of both of the programmes and are at various stages in terms of their formalisation. For example, specific risk registers are in place for Demobilisation and Mobilisation, which are also reviewed and discussed during the bi-weekly meetings.

Whilst we noted the Mobilisation programme has a workstream dedicated to training, training materials are still in development with planned timescales for rollout running until the end of March, just before contract go live on 1 April 2025. This timescale does not leave any room for delays or slippage. Given the scale of change from operating under a NEC3 to NEC4 contract is extensive, there is a risk that without bringing forward the development and roll-out of formal training over the next 3-4 months, the transition process may not be as effective and smooth as planned.

Overall, transition plans are robust and clearly outline and define the Council's approach to contract closure of the existing contract and the formal acceptance of project deliverables, objectives and commitments under the new contract.

B: Re-establishing Contract Governance (New Contract)

Milestone's tender submission documents outline their proposals in regard to governance, decision-making, problem resolution, escalations, performance management and change management. The proposals are based on the requirements and specification outlined in the Council's contract scope and specification document and are now being reviewed and formalised as part of the formal Mobilisation Plan.

The contract scope document details the respective roles, responsibilities and accountabilities of both the Council and Milestone in relation to maintaining the network, prioritisation and programming, policy and strategy, customer and stakeholder engagement, asset management, design and network management.

The contract scope document also provides clarity on the list of qualifying compensation events under the new NEC4 contract. A compensation event is defined as an event that, if it occurs, entitles the contractor to claim additional time and/or money. They are specific occurrences that are identified in the contract as giving rise to a potential change in scope, timing or cost of the works, and thus necessitating an adjustment to the contract's terms. Whilst the scope of compensation events is clear, there isn't currently a system in place to manage compensation events under NEC4. Current ways of working are manual in nature and therefore prone to human error and risk. A system / digital platform to manage compensation events would provide centralisation, automation, less manual intervention, more effective monitoring and robust document management.

Income Collection Street Works and Parking 2024/25

Overall conclusion on the system of internal control being maintained	A
---	---

RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
A: Governance, Roles and Responsibilities	A	0	3
B: Fees and Charges	A	0	2
C: Income Collection	A	0	5
D: Surplus Spending	A	0	1
		0	11

Opinion: Amber	
Total: 11	Priority 1 = 0 Priority 2 = 11
Current Status:	
Implemented	0
Due not yet Actioned	0
Partially Complete	0
Not yet Due	11

Overall, the audit found that there is generally a good system of internal control in place in relation to parking and enforcement related income collection processes and for surplus spending from the parking account. We have found areas for improvement in relation to street works income collection processes and surplus spending controls. We also noted some areas for improvement to enhance overall governance and monitoring controls such as maintaining up to date procedure notes and maintaining records of key activities and decisions taken.

A: Governance, Roles and Responsibilities

Cabinet is engaged in decision-making and approvals relating to the street works and parking service. They are also responsible for reviewing and approving discretionary fees and charges (i.e. those determined by the Council) on an annual basis and any in-year changes (if applicable). On an annual basis a Parking Services report is produced providing an overview of the service including key performance outcomes and income collection parking statistics for the different parking incomes streams. Monthly meetings are held between the Head of Network Management and the Director of Environment and Highways, and regular programmed meetings also take place with Finance Business Partners. At present, no notes are formally kept capturing key points discussed, decisions made and/or actions agreed at these meetings, picking up on the formal forecasts made and agreement as to what is reported within the monthly Business Management and Monitoring Report (BMMR).

There is an overarching Parking Policy, outlining key objectives and aims of the service but the document has not been updated since September 2014 to reflect current objectives, priorities, risks, roles and responsibilities. It is reported that this work is currently in progress.

The Council's Financial Regulations outline general requirements in relation to income collection however this is pitched at too high a level to be used as the only set of governing procedures for street works and parking income collection. We understand that process maps are in development but not yet completed and approved. Given the wide variation in income collection processes that are required across street works, parking and enforcement, a set of detailed procedures would provide a more robust control framework. It is reported that this work is in progress.

B: Fees and Charges

A fees and charges matrix is produced that contains all fees and charges whether discretionary (i.e. determined by the Council) or statutory (i.e. set by external bodies such as the Department for Transport). Once approved, this is accessible on the Council's website. Fees and charges for street works permits and street works coordination are aligned to statutory guidance (i.e. the maximum levels set by the Department for Transport). On-street parking fees and residential permit fees are set

by the Council. Parking pay and display income is collected either directly at the pay and display machine or via third party applications such as RingGo, PayByPhone and Just Park. Parking enforcement related income is collected on behalf of the Council by a third-party contractor.

Council approved fees and charges are loaded into pay and display machines and other third-party applications / systems used for parking and enforcement income collection. Street works related fees and charges are loaded into the Street Manager tool. Regular checks to confirm the correct fees and charges have been loaded across all platforms/systems used is carried out (the Council has access to the back office of third-party systems to check and verify the accuracy of fees and charges).

For a sample of street works and parking income transactions, we checked that the fees and charges applied agreed to the fees and charges matrix approved by Council. For the majority of transactions sampled, fees and charges agreed to the fees and charges matrix. Where there were discrepancies or it was not clear, explanations were provided, however the supporting evidence to validate the explanations was not available in some cases.

C: Income Collection

We assessed the controls in place for each of the in-scope income streams. We found that for the majority of income streams (namely Temporary Traffic Regulations Order (TTRO) income, Parking income (pay and display, third party apps and permits) and Enforcement income) there are appropriate processes in place relating to the collection of income and from the samples tested, no exceptions were noted.

However, we have noted areas for improvement in relation to Street works (Permit fee and Co-ordination income):

Permit fee income relates to permits applied for by utility companies for street works. Co-ordination income relates to Section 74 overruns charges, inspection fees and other penalties. Street works activity is logged in Street Manager (a government system, not the Council's). For permits, S74 overruns and inspection fees, invoices are raised based on a download of data extracted from Street Manager via a software called HIAMS. Other penalties are not invoiced. Instead, utility companies are notified of the penalty via Street Manager, and they are responsible for making payment directly to the Council, in accordance with DfT guidance. We noted the following findings from our testing:

- Regular reconciliations between the data held in Street Manager and what is invoiced and receipted through SAP to confirm the completeness of income are not carried out.
- There were examples where queries were raised with the service during audit testing and whilst explanations were provided, these could not be evidenced with appropriate supporting documentation.
- In our testing of co-ordination income, we identified a 'sweep' journal entry that was made up of three payments. One of these appears to be incorrectly coded as it relates to permit fee income for one utility company for the months of January – October 2023. From our review of the transaction listings provided, we noted that the permit fee income is recorded in two cost centres and therefore appears to be double counted. We enquired with management, however the reason for this error has not yet been understood and requires investigation with the Finance Help Desk.

In relation to budget monitoring, budget versus actuals analysis is carried out monthly, across all of the above income streams, by the Head of Network Management. Where significant variances, trends and any unusual transactions/movements are identified these are investigated further. An example of how this control has operated successfully in recent months was shared during the audit whereby parking enforcement income for contraventions caught on camera was coming in lower than budget in the first three months of the FY23/24 financial year. This was raised with the enforcement contractor, and it was discovered that a technical error led to Penalty Charge Notices (PCNs) not being issued. This has resulted in an approximate loss of income of £250k for which the enforcement contractor is contractually responsible to reimburse the Council. The legal process to recover this income is ongoing.

D: Surplus Spending

Section 55 of the Traffic Management Act 2004 outlines the requirements in relation to spending surplus money from the Council's parking account. The Council has a formal process in place to ensure regulatory requirements are met. The process includes the preparation of a business case for the spending and subsequent review and approvals sought. One proposal was submitted by the Head of Network Management during the year. We obtained the supporting documentation and confirmed that it received appropriate authorisation from the Director of Environment and Highways as per the Council's delegated authority.

For street works surpluses, DfT guidance (Permit schemes: statutory guidance for highways authorities - July 2022) outlines the requirements for spending surplus money relating to permit fee income. Regulation 32 stipulates that fee income must be applied 'towards the costs of operating the permit scheme which are prescribed costs'. If there is a surplus in a given year, the money should be applied towards the costs of the scheme in the next year and the fee levels adjusted accordingly. A sustained surplus where the income was regularly exceeding the prescribed costs would indicate that the fee levels should be adjusted. For other street works income streams, surplus funds can be used across the service in any way deemed most appropriate. Unlike parking surpluses, formal review and approval controls could be strengthened to govern the spending of street works surpluses.

This page is intentionally left blank

APPENDIX 3 – As at 04/12/2024 - all audits with outstanding open actions
(excludes audits where full implementation reported):

	ACTIONS						Not Due for Implementation	Not Implemented	Partially Implemented
	P1 & P2 Actions			IMPLEMENTED					
Report Title	1	2	Total	1	2	Total			
OCC Adults Income and Debt 23/24	1	6	7	1	4	5	-	-	2
OCC Adults Safeguarding 23/24	-	5	5	-	2	2	-	1	2
OCC Business Cont 23/24	2	17	19	-	14	14	-	2	3
OCC Childrens Finances 22/23	-	12	12	-	8	8	-	-	4
OCC Childrens Placements CM & QA 23/24	-	17	17	-	15	15	-	-	2
OCC Climate Audit 22/23	5	12	17	3	8	11	-	1	5
OCC Controcc Payments 21/22	-	9	9	-	7	7	-	2	-
OCC Corporate Website 24/25	-	8	8	-	4	4	1	-	3
OCC Cyber Security 24/25	-	4	4	-	-	-	4	-	-
OCC Educ IT System – processes 22/23	-	5	5	-	3	3	-	2	-
OCC EYES & LIFTS IT Application 24/25	-	8	8	-	1	1	3	1	3
OCC Expenses 23/24	-	14	14	-	11	11	-	-	3
OCC Feeder Systems 23/24	-	4	4	-	1	1	-	-	3
OCC Fleet Mgmt Compliance 21/22	-	5	5	-	4	4	-	-	1
OCC FM Follow up 22/23	-	13	13	-	11	11	-	1	1
OCC Gartan Payroll 21/22	1	34	35	1	31	32	-	-	3
OCC Health Payments 23/24	1	7	8	1	5	6	-	2	-
OCC Identity and Access Mgmt 24/25	-	11	11	-	-	-	10	1	-
OCC LAS IT Application 22/23	-	9	9	-	8	8	-	-	1
OCC Leases 22/23	-	10	10	-	8	8	-	-	2
OCC Legal Case Mgmt 23/24	5	6	11	5	5	10	-	-	1
OCC Local Transport Plan 23/24	1	8	9	1	6	7	-	-	2
OCC M365 Cloud 22/23	-	11	11	-	8	8	-	-	3
OCC Multiply 24/25	-	3	3	-	-	-	-	3	-
OCC New Hinksey School 23/24	2	23	25	2	21	23	1	1	-

OCC P Cards 23/24	1	20	21	1	10	11	1	-	9
OCC Payments to Providers 23/24	2	7	9	-	5	5	-	1	3
OCC Pensions Admin 23/24	-	3	3	-	2	2	-	-	1
OCC Pensions Admin IT App 23/24	-	6	6	-	5	5	-	-	1
OCC Physical Security Systems 23/24	1	13	14	1	11	12	-	1	1
OCC Property Health and Safety 23/24	2	28	30	1	23	24	1	1	4
OCC Property Strategy Implementation 24/25	-	1	1	-	-	-	-	-	1
OCC Provision Cycle 21/22	-	19	19	-	18	18	-	-	1
OCC Risk Management 20/21	-	14	14	-	13	13	-	-	1
OCC Risk Mgmt 23/24	-	8	8	-	4	4	-	-	4
OCC S106 21/22	-	6	6	-	1	1	-	-	5
OCC S106 IT System 23/24	-	6	6	-	2	2	-	-	4
OCC SEND 20/21	14	27	41	14	26	40	-	-	1
OCC SEND Follow up 22/23	1	5	6	-	4	4	1	-	1
OCC Strategic Contract Mgmt 24/25	2	10	12	-	1	1	3	-	8
OCC Supported Transport 23/24	6	9	15	6	7	13	-	-	2
OCC YPSA 22/23	1	18	19	1	15	16	-	-	3
Purchasing (inc Acc Payable) 17/18	1	9	10	1	8	9	-	-	1
Samuelson House 18/19	-	5	5	-	4	4	-	-	1
TOTAL	49	475	524	39	344	383	25	20	96

**AUDIT & GOVERNANCE COMMITTEE
WORK PROGRAMME – 2025**

12 March 2025

Training Session - Accounts and Financial Assets – 45 minutes

1. Counter Fraud Update (Sarah Cox)
2. Audit and Governance Committee Annual Report to Council (Sarah Cox)
3. Treasury Management Q3 Performance Report 2024/25 (Tim Chapple)
4. Risk Management Update (Louise Tustian)
5. 2021/22 Draft Audit Results Report (Maria Grindley/Adrian Balmer)
6. Audit Working Group Update (Sarah Cox)
7. Accounting Policies (Ella Stevens)
8. Ernst & Young Update (Stephen Reid /Adrian Balmer)
9. Audit & Governance Committee Work Programme

It is proposed to add a meeting to the 2025/26 schedule as follows:

4 June 2025

1. Chief Internal Auditor's Annual Report (Sarah Cox)
2. Internal Audit Strategy & Plan 2025/26 (Sarah Cox)
3. 2023/24 Oxfordshire Pension Fund Provisional Audit Results Report (E&Y)
4. Oxfordshire County Council Provisional Audit Planning Report Year Ending 31 March 2025 (E&Y)
5. Review of the Audit Governance Statement – Progress on actions (Sarah Smith)
6. Audit Working Group Update (Sarah Cox)
7. Audit & Governance Committee Work Programme

This page is intentionally left blank