

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 15 January 2025 commencing at 1.00 pm and finishing at 3.30 pm

Present:

Voting Members: Councillor Ted Fenton – in the Chair

Councillor Roz Smith (Deputy Chair)
Councillor Yvonne Constance OBE
Councillor Jenny Hannaby
Councillor Charlie Hicks
Councillor Bob Johnston
Councillor Ian Middleton
Councillor Glynis Phillips
Dr Geoff Jones

Officers:

Whole of meeting Lorna Baxter (Executive Director of Resources and Section 151 Officer), Anita Bradley (Director of Law and Governance and Monitoring Officer), Sarah Cox (Chief Internal Auditor) and Shilpa Manek (Democratic Services Officer)

Part of meeting Sean Rooney (Head of Highway Maintenance Road Safety), Paul Fermer (Director of Environment and Highways), Rose Sutton (Project Manager (BPSI Team)), Tim Chapple (Treasury Manager), Ella Stevens (Deputy Chief Accountant), Kathy Wilcox (Head of Corporate Finance), Paul Grant (Head of Legal), Louise Tustian (Director Transformation Digital and Customer Experience) and Rachel Brolly (Performance and Insight Team Leader)

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

1/25 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

There were no apologies for absence received.

2/25 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE

(Agenda No. 2)

There were no declarations of interest received.

3/25 MINUTES

(Agenda No. 3)

Resolved: That the minutes of the meeting held on 27 November 2024, were agreed as an accurate record and signed by the Chair.

4/25 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

There were none received.

5/25 HIGHWAYS CONTRACT ARRANGEMENTS

(Agenda No. 5)

The Head of Highway Maintenance presented the report to the Committee and made the following points:

- The existing highway maintenance contract was set to expire on 31 March 2025 with no options to extend. Following approval at Cabinet in October 2023, Officers prepared and commenced the procurement of a new highway maintenance contract to start on 1 April 2025 (following a mobilisation period) for 8 years with options for two 3-year extensions (14-year potential contract length). Following an open procurement exercise, a preferred bidder had been selected and the contract awarded. Work had commenced to manage the transition to the new contract.
- The services covered under this contract are the maintenance and improvement of the Council's highway network. The agreed procurement process for the contract was a two stage 'competitive procedure with negotiation' (CPN) to ensure a meaningful dialogue was maintained with suppliers throughout the lifecycle of the process but still allowed the Council the flexibility to award the contract based on the initial tenders without any negotiation. 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 reserved the right to do so at its absolute discretion.
- A recent internal audit report highlighted that there was 'a good system of internal control in place' and the fact that the transition plans were 'robust and clearly outlined and defined 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.
- Once the contract had commenced, the council would measure and manage performance in accordance with S825 of the scope, Performance Management, which set out the performance requirements for all aspects of the contract. This would be a platinum rated contract for the Council, therefore

the Procurement and Contract Management Hub would have strategic oversight of the contract. The operational team would contract manage on a day-to-day operational basis including social value commitments.

Members commented that the report was well informed and provided reassurance to the Committee. The following points were raised by Members:

- The internal audit carried out and scoring well provided good reassurance that the correct internal controls were in place and that the transition plans were robust.
- A point was raised about the agreed procurement process and the question was raised as to why a decision was taken based on the initial tenders. It was clarified to the Committee that there was always the flexibility to award the contract based on the initial tenders without any negotiations. Following receipt of the initial tenders, a decision was taken to proceed with the award of the Contract based on the evaluation of initial tenders. The CPN procedure permits the Council to do this.
- Members asked if any break clauses had been considered in the duration of the contract and were advised that the ability was there if required but a fundamental review had been built in in year 5 which would consider quality and finance. There was a right to terminate the contract if the criteria were not being met.
- Officers were asked if self-certification had been considered and responded that the contract was based on a schedule rate and cost certainty which would be closely monitored and balanced. There was a high level of governance for the contract which was different in many ways where there was greater control and involvement.
- Members asked if Value for Money had been given sufficient regard and had there been market failure as the two stages had not been followed. Officers offered reassurance that the process had been followed that had been set out from the start. There had been sufficient exploration of the market. The tender evaluation was in place and there was greater visibility and confidence in place as Value for Money was the key thing that had been maximised.
- Concern was raised about the works programme and it being the same as the current one. Drainage had been a major concern for residents, and this needed to be addressed in the new works programme. The Committee was reassured that the programme was the scope of work, and this was being developed and all the concerns would be taken into consideration.

Resolved: That all but Councillor Ian Middleton were happy to 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 1 April 2025.

6/25 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2025/26

(Agenda No. 6)

The Treasury Manager presented the report and indicated the following:

The report outlined the Council's strategic objectives in terms of its debt and investment management for the financial year 2025/26. There were two typos on page one of the report. The figures for the forecast average cash balance were £405m and £301m.

As the council's Capital Financing Requirement (CFR) was proposed to increase significantly over the medium term, the strategy would aim to decrease long term investments to allow for greater internal borrowing.

On the external funds, there were no changes forecasted, and these would remain at £100m, providing an income of just under £4m for the year. The government had indicated that IFRS 9 statutory override was going to end on 31 March 2025. This would mean that any fluctuations to the fair value would need to be taken to the revenue account and not the balance sheet. A reserve had already been set up for £5m to deal with any fluctuations.

In response to Members, the following was noted:

- The Bank of England Base Rate was forecasted to start the year at 4.5%, reducing to 3.75% - 3.50% by the end of the financial year. The Treasury Manager was not very confident that it would reach this low as it was a very volatile market, however, all economists were predicting that it would go down.
- The downsides of going to a lower long term lending limit and an increased internal borrowing would mean a reduction in interest receivable, but that would be offset by the reducing the cost.
- The treasury management perspective differed from the pension fund as the Treasury Management Code mentions that treasury management have to prioritise security and liquidity above everything else. The report did not expect to have any negative impact to the Council's zero carbon emissions commitment by 2030. The Council mainly invested in other local authorities that probably had very similar policies in place.
- If inflation rates and bank rates stayed high and if the gilt rates increased, this would help the Council on the in-house investment portfolio.

Resolved: that the Committee endorsed the Treasury Management Strategy and Annual Investment 2025/26 as outlined in the report.

7/25 ANNUAL GOVERNANCE STATEMENT- UPDATE ON ACTIONS

(Agenda No. 7)

The Director of Law and Governance and Monitoring Officer presented the report to the Committee. It was the latest look on the seven actions from the Annual Governance Statement for 2023/24. The actions were in the report from A to G, followed by the update on each action.

Members of this Committee were also updated on the Constitution Working Group carrying out a review. The recommendations would be presented at Council on 1 April 2025 but would come to the next meeting of this Committee. Members of the Working Group had been requested to take the recommendations to their Group in advance of the discussion at the Audit and Governance Committee.

The HR policies action was on track with only one of the six policies pending approval.

The Committee had received a full update at the November meeting and there was nothing further to report on the ICO expectations when handling FOI and EIR requests.

The proactive training for Governance was ongoing.

Resolved: that the Committee received the update on the actions from the Annual Governance Statement 2023/24.

8/25 ELECTORAL FEES AND CHARGES APRIL 2025

(Agenda No. 8)

The Director of Law and Governance and Monitoring Officer presented the report to the Committee. Members were advised that they were asked to note the scale of fees as it was the responsibility of Returning Officer to approve these. The table set out the existing fees and then the new proposed fees.

In accordance with the Council's practice, a review had 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 District Councils would use this scale when acting on behalf of the Returning Officer and were generally mindful of the County Council's scale of fees and charges when setting their own scales of fees and charges, including for any by-elections held within the financial year 2025/26.

Resolved: that the Committee noted the Scale of Election Expenses for the financial year 2025/26, as shown in the Annex of the report, for the election of County Councillors and any other poll associated with the County Council during the year.

9/25 CONSULTATION - LOCAL AUDIT STRATEGY

(Agenda No. 9)

The Executive Director of Resources and Section 151 Officer informed the Committee that this was a new item on the agenda on the consultation that had been launched alongside numerous other consultations from the government on the 18

December 2024. The report was the proposed responses to the consultation. There were still some questions that had no responses yet as they were still being considered. All the final responses to the consultation would be sent to Members before submission.

The Committee raised the following points:

- There were no proposals for Value for Money studies conducted by the new office and if it could be requested that the financial management reporting could be put back into the new office. There was a complexity of the financial reporting, but it was also important to know what people wanted. There was a duplication of information and some of it could be found on council websites and did not need to be in the report to government. There were other areas that were on the website and didn't need to be reported through the financial report. These would be considered and included.
- The consultation had been well responded to. There were not many members of the public and also Members that understood the accounts, but this was a good response and a way forward.
- Council auditors were approved by the Public Sector Audit Appointments Board. It needed to be clearer in the response that local authorities and auditors both made comments simultaneously.
- Had Officers given any consideration to the options relating to the responsibilities of CIPFA's Code of Practice? There were no other options that CIPFA could take on.

Resolved: that the Committee agree the proposed consultation responses outlined in the annex of the report and Officers to propose responses to the questions currently not answered and the final response to be circulated to the Committee, offline, before the submission date of the 29 January 2025.

10/25 FINANCIAL MANAGEMENT CODE

(Agenda No. 10)

The Executive Director of Resources and Section 151 Officer introduced the report to the Committee. This was an annual assessment of the Council's compliance with the Financial Management Code. This was a retrospective look for the assessment for 2024/25 financial year. This was a very important part of the governance and accountability framework of the organisation.

The Head of Corporate Finance reported that there were 19 standards that were assessed against. In the current years assessment, 17 were green and two were amber, overall demonstrating that compliance could be evidenced. Where relevant, proposed further actions had been included that would enhance compliance. The Head of Corporate Finance went through each standard with the Committee.

Councillor Constance joined the meeting at 14.15pm.

Resolved; that the Committee endorsed the assessment of compliance against the Financial Management Code for 2024/25.

11/25 RISK MANAGEMENT UPDATE

(Agenda No. 11)

The Director of Transformation, Digital and Customer Experience presented the report to the Committee. The report would be presented to the Strategic Leadership Team at the end of January 2025 to discuss where the Council was with the health check update but also to review the strategic risks. A piece of work carried out over the last quarter had been taking place to check all services thoroughly to see where the Council was with the risk health check. This was in line with the Management of Risk Practitioner training and guidance. This would also assist to identify areas where additional training and development around what risks were and how to escalate and manage the risks successfully. Risk awareness sessions were given at Directorate Leadership Team meetings, and this would continue.

The Strategic Risk Register was reviewed monthly by the Council Management Team and bi-monthly by the Strategic Leadership Team, Informal Cabinet and Cabinet and was also an agenda item for Chairs of scrutiny committees to consider. There were currently 10 strategic risks up to November 2024 and these were being reported to Cabinet in January 2025. The residual scores had not changed since the last reporting. As part of further work, a more in-depth report around risks would be presented at the end of quarter one around how risks were being monitored and how scores were assigned.

A point highlighted was the need for training and development round identifying risks and then how to escalate and concerns.

Members highlighted the following points:

- This was an excellent report and included cyber security and climate with the Strategic Risk Register.
- Reorganisation was a new risk that needed to be added to the Strategic Risk Register, especially with the recent White Paper from government that had no consultation prior to the announcement. Officers commented that conversations with the Strategic Leadership Team were taking place to assess the risk and then this would be added to the Strategic Risk Register. ACTION
- Members were pleased to see the ongoing training and commented that this needed to continue.
- Members highlighted that Oxford Core Schemes and HIF1 and HIF2 were red and amber but there was no detail on what the risks were and to whom. Could detail be added to these risks. Officers would bring the risk detail and the risk managers to the next meeting to deep dive into the risks. ACTION

Resolved: that the Committee noted the Risk Management update and suggested the addition of a new risk and requested detail on the risks.

12/25 CONSULTATION - STRENGTHENING THE STANDARDS AND CONDUCT FRAMEWORK FOR LOCAL AUTHORITIES IN ENGLAND

(Agenda No. 12)

The Chair advised the Committee that they were being asked to agree to the proposed response outlined in the Annex of the report. Members and Groups could also make their own representation to the consultation.

The Director of Law and Governance and Monitoring Officer presented the report to the Committee and gave an overview of the consultation, and the responses suggested.

The consultation was regarding the application of standards and conduct in local authorities.

Members made the following comments:

- Concerns about Members being suspended for anything less than a police investigation or violent behaviour. There needed to be a clear explanation of terminology as it could be interpreted differently by different people.
- There could be political differences when dealing with Members conduct and appeals that could be skewed if it was the Standards Committee was dealing with these. An independent body would be fairer.
- Members were concerned that if a Member was suspended, the residents in their Division would have no representation.
- A discussion took place on whether Cabinet should look at the suggested response and the Committee was reminded that Council had given that role to the Audit and Governance Committee.

The Monitoring Officer commented that there were no further Audit and Governance Committee meetings before the submission date of 26 February 2025. The Consultation had been presented to the Political Group Leaders too. A single response was unlikely to please all Members, but the Monitoring Officer advised that it was better to be proactive and submit a response than not submit any response. The Monitoring Officer would also submit her own response. Members were asked to note that in some parts there was no facility to enter a lot of text.

The Head of Legal commented that the consultation was specifically looking at suspension and a ban on the use of premises and facilities as there were currently no sanctions in the current regime. The Monitoring Officer and Head of Legal advised in their view it was better to deal with these matters in-house via a Standards Committee as that would be by peers of the Member.

The Chair suggested three options to the Committee: that the Committee vote on the recommendations in the report, The response in the report is submitted by the Monitoring Officer or a special Audit Working Group meeting beset up. The

Monitoring Officer advised that the Committee would be required to make a decision upon any recommendation from a Working Group.

The Committee took a vote on the recommendations that had been presented in the report.

Four Members voted for and agreed to the recommendations in the report and three Members voted against the recommendations.

Resolved: that the Committee would make a response to the consultation as outlined in the Annex. The Monitoring Officer would also submit her own response and other Members or Groups could submit their responses by the 26 February 2025.

13/25 ERNST & YOUNG UPDATE

(Agenda No. 13)

An update was presented to the Committee from Ernst & Young.

The main points highlighted included the following:

- The outstanding matters highlighted at the November meeting had all now been resolved and evidence submitted, and the reviews were now being finalised. There were no significant audit changes to the outcome.
- Some additional audit work was still to be completed, and this would be done with engagement with management.
- There would be no change to the results presented in November and the backstop date would be met of 28 February 2025.
- With respect to the Pension Fund, the audit work had been completed. Once again, the final engagement would take place with management. The IS19 assurance letters had been sent to the bodies so Ernst & Young were in a position to sign off both by the backstop date.

The Chair thanked Ernst & Young for the update.

14/25 INTERNAL AUDIT 2024/25 PROGRESS REPORT

(Agenda No. 14)

The Chief Internal Auditor presented the report to the Committee stating that the report was a quarterly progress update on the internal audit side. Updates were given on the resources of the Team. There was one long-term sickness absence that had an impact on the delivery of the plan, and this may affect it further.

The current status of the plan was in a good position but could have been in a better one. The Team was working really hard to complete the plan for 2024/25. There had been eight amendments to the plan, four of the audits had been deferred and four

had been added to replace them. Nine audits had been finalised and there were no overall red opinions. The overall management performance was up from 73% to 75%.

Members raised the following points:

- The report referred to inconsistencies in the approach to strategic contract management across the Council. Had this been checked for the recent Highways contract. The Chief Internal Auditor responded that there had been some large gaps in the other platinum contracts, the Highways contract had not been included but the gaps were now being filled and there was a lot of work ongoing.
- It would be very useful to have a deeper dive at the Audit Working Group on the Strategic Contract Management and the Income Collections for street work and parking and the spending of it. It was suggested that the correct Officers would be identified for them both. The first would be on the March 2025 agenda of the Audit Working Group and the latter would be on the June 2025 Audit Working Group Agenda.

ACTION: To schedule both deep dives

- Of the four deferred audits, there were reasons for three of the four but there was no explanation given for the deferral of the HIF1 scheme, could this be added for consistency.
- Residents had raised concerns about the transparency between Council as an applicant and Council as a planning authority, could these points be considered as part of the audit? The Monitoring Officer reassured the Committee that arrangements had been put into place to ensure the clear separation of functions with regard to legal advice and all Officers on both the Planning side of the authority and the applicant side of the authority. The Chief Internal Auditor commented that the scope of the audit was still being considered but it would consider the governance, risk management and the delivery side.
- The Children's transformation audit had been deferred for three months due to staffing issues.

The Chief Internal Auditor agreed with the Committee that the 31 January 2025 Audit Working Group meeting be cancelled.

Resolved: that the Committee noted the progress with the 2024/25 Internal Audit Plan and the outcome of the completed audits.

15/25 EXTRA MEETING AND WORK PROGRAMME

(Agenda No. 15)

Resolved: that the Committee noted the work programme and made the following points:

- To remove item 5 from the 12 March meeting – 2021/22 Draft Audit Results Report.
- To remove item 6 from the 12 March meeting – Audit Working Group Update.
- To add Constitution Working Group update.
- To add IA Report – Interim Update.
- To circulate the draft Audit and Governance Committee Annual Report to Council to all Members of the Committee for comments.

The Committee agreed the additional meeting date of 4 June 2025.

..... in the Chair

Date of signing