

Oxfordshire County Council

Draft Auditor's Annual Report

Year ended 31 March 2025

November 2025 Issue date - 18 November



Audit and Governance Committee
County Hall
New Road
Oxford OX1 1ND

18 November 2025

Dear Audit and Governance Committee Members

2024/25 Draft Auditor's Annual Report

We are pleased to attach our draft Auditor's Annual Report including the commentary on the Value for Money (VFM) arrangements for Oxfordshire County Council. This report and commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 2024/25. As the financial statements audit is still in progress as at 30 November 2025, this report has been issued as draft and will be finalised as part of issuing the 2024/25 audit report.

This report is intended to draw to the attention of the Oxfordshire County Council's any relevant issues arising from our work up to the date of issuing the report. It is not intended for, and should not be used for, any other purpose.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 26 November 2025.

The [EY UK 2025 Transparency Report](#) provides details regarding the firm's system of quality management, including EY UK's system of quality management annual evaluation conclusion as of 27 June 2025.

Yours faithfully

Simon Mathers

Partner, For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Oxfordshire County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of Oxfordshire County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of Oxfordshire County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

Executive Summary

Purpose

The Auditor's Annual Report summarises the year's audit work, including value for money commentary and confirmation of the financial statement opinion. It also references any use by the auditor of their additional powers and duties under the Local Audit and Accountability Act 2014. In line with the NAO Code of Audit Practice 2024 ("the 2024 Code") and Auditor Guidance Note 03 (AGN 03), this report provides an overview to Oxfordshire County Council and the public, detailing current recommendations and a review of prior years' actions, including our assessment of whether they have been satisfactorily implemented.

Auditors must issue their draft annual report to those charged with governance by 30 November each year, reflecting the audit position and value for money assessment at that time, even if the 2024/25 audit is ongoing.

Responsibilities of the appointed auditor

We have undertaken our 2024/25 audit work in accordance with the Audit Plan that we issued in April 2025. We have complied with the 2024 Code, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- whether the financial statements give a true and fair view of the financial position of the Council and its expenditure and income for the year; and
- have been prepared properly in accordance with the relevant accounting and reporting framework.

Reporting by exception:

- if the annual governance statement does not comply with relevant guidance or is not consistent with our understanding of the Oxfordshire County Council;
- the use of additional powers and duties, for example making written recommendations under Section 24 and Schedule 7 of the Act or making a report in the public interest; and
- if we identify a significant weakness in the Oxfordshire County Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

The Council is responsible for the preparation of the financial statement, including the narrative statement and governance statement, in accordance with the CIPFA Code and for having internal controls in place to ensure these financial statements are free from material error. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Executive Summary (cont'd)

2024/25 conclusions

Financial statements	<p>As reported in our 10 February 2025 Audit Results Report we issued a disclaimer of opinion on the Oxfordshire County Council's 2022/23 and 2023/24 financial statements under the arrangements to reset and recover local government audit.</p> <p>In 2024/25, we have continued to audit the closing balance sheet and in-year transactions. Although the level of assurance gained has increased, we have not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. As a result of the disclaimer of opinion on the 2023/24 financial statements, we do not have assurance over some brought forward balances from 2023/24 where we did not gain assurance (the opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements. Taken together with the requirement to conclude our work by the 2024/25 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements.</p> <p>Taking into account the requirement to conclude our work by the 2024/25 backstop date, we will not be able to rebuild assurance over these balances as part of the 2024/25 audit. We are considering the form of our audit report, and whether we can issue a qualified 2024/25 audit opinion this year rather than a disclaimer. This is consistent with LARRIG01 and the illustrative timescale for progress to full assurance, which sets out that there is potential for qualified except for, but more likely to be disclaimed.</p>
Going concern	We have concluded that the Executive Director of Resources & Section151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statements	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Consistency of the Pension Fund annual report and other information published with the financial statements	Subject to final changes to the Pension Fund financial statements following audit financial information in the Pension Fund annual report and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We anticipate having no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.

Executive Summary (cont'd)

2024/25 conclusions (cont'd)

Additional powers and duties	We had no reason to use our auditor powers.
Whole of Government Accounts	We have not yet concluded the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We cannot issue our Audit Certificate until these procedures are complete.
Certificate	We will issue our certificate once the NAO have confirmed no questions will be raised on individual NAO returns.

Executive Summary (cont'd)

Value for money scope

Under the 2024 Code, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

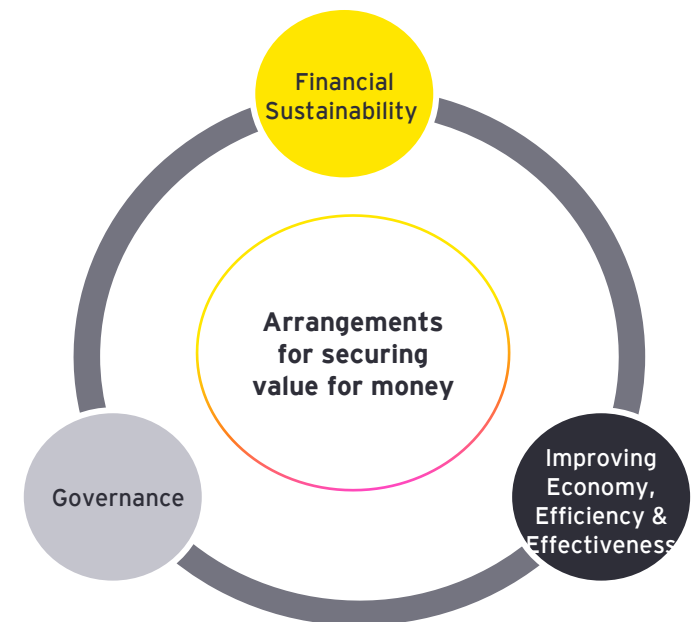
We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's report on the financial statements.

The specified reporting criteria are:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the key Council officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.



Executive Summary (cont'd)

Reporting

Our commentary for 2024/25 is presented in Section 03. This section provides a summary of our understanding of the arrangements at the Council as determined from our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2024/25 and up to the date of issuing this draft Auditor’s Annual Report, which must be issued by 30 November. .

The final version of this report will be issued alongside the signed audit report concluding on the 2024/25 year.

In compliance with the 2024 Code, we are required to provide commentary against the three specified reporting criteria. The table below outlines these criteria, indicates whether a significant risk of weakness was identified during our planning procedures, and details our current conclusions regarding any significant weaknesses within your arrangements.

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified

Executive Summary (cont'd)

Local Government Reorganisation

Local Government Reorganisation is expected to pose challenges for local authorities over the next year. During this period of change, the Council must maintain essential services and fulfill statutory duties. According to MHCLG guidance issued in July 2025, decisions made by the Council prior to reorganisation regarding ongoing service delivery and the medium-term financial strategy should focus on providing value for money for taxpayers and avoid limiting future decisions or sustainability of new councils.

The government has stated that it will issue directions under section 24 of the 2007 Act after Structural Changes Orders are made, specifying a person authorized to give consent on relevant matters and outlining how this authority should be exercised. MHCLG has noted these directions will follow previous precedents, requiring written consent from the successor council for land disposals and contracts exceeding a specified value.

To comply with MHCLG guidance and forthcoming directions, councillors and statutory officers need to be aware of their responsibilities and ensure that appropriate accounting and governance systems are maintained.

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2025

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 27 June 2025:

[EY 2025 Transparency Report](#)



02 **Audit of financial statements**

Audit of financial statements

Key findings

The Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

Our audit of the 2024/25 financial statements is substantially complete. We will report our provisional findings in our draft Audit Results Report to the November 2025 Audit & Governance Committee. We will update our findings in the final versions of our reports.

Financial statement risks

Significant risk	Conclusion
Presumptive risk of management override of controls	We have not identified any instances of inappropriate judgements or estimates being applied. Our work did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business. We note that our additional work to test higher risk journals posted in the year is yet to be fully finalised at the date of this report.
Inappropriate capitalisation of revenue expenditure	We have completed our work in relation to this risk and have noted the following errors: <ul style="list-style-type: none">• Management was unable to provide supporting evidence for labour costs capitalised. This has resulted in a judgemental overstatement of property, plant and equipment of £4.2m• An advance payment of £3.5m that was capitalised to additions instead of being recorded as a prepaid expense.
Implementation of IFRS 16	As at the date of this report, our work on IFRS 16 remains ongoing. The draft financial statements submitted for audit did not contain all the transitional adjustments and disclosures required for implementation of IFRS 16 and supporting working papers were not fully complete, including a consideration of the impact of IFRS 16 on the Council's PFI arrangements. We consider this weakness in internal control further in Section 06 of this report. As a result of our work to date we have identified a factual misstatement of £8.3 million related to the gain on revaluation of peppercorn leases prompted by the adoption of IFRS 16, which was recorded as a revaluation reserve movement rather than being accounted for in the net cost of services in the Consolidated Income and Expenditure Statement, as required by the CIPFA Code on Local Authority Accounting.

Audit of financial statements

Financial Statement reporting assessment

Management, and the Audit and Governance Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. The table over-page sets out our views on the effectiveness of the Council's arrangements to support external financial across a range of relevant measures.

In addition, the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance is set out on page 15. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.

Factors impacting the execution of the audit

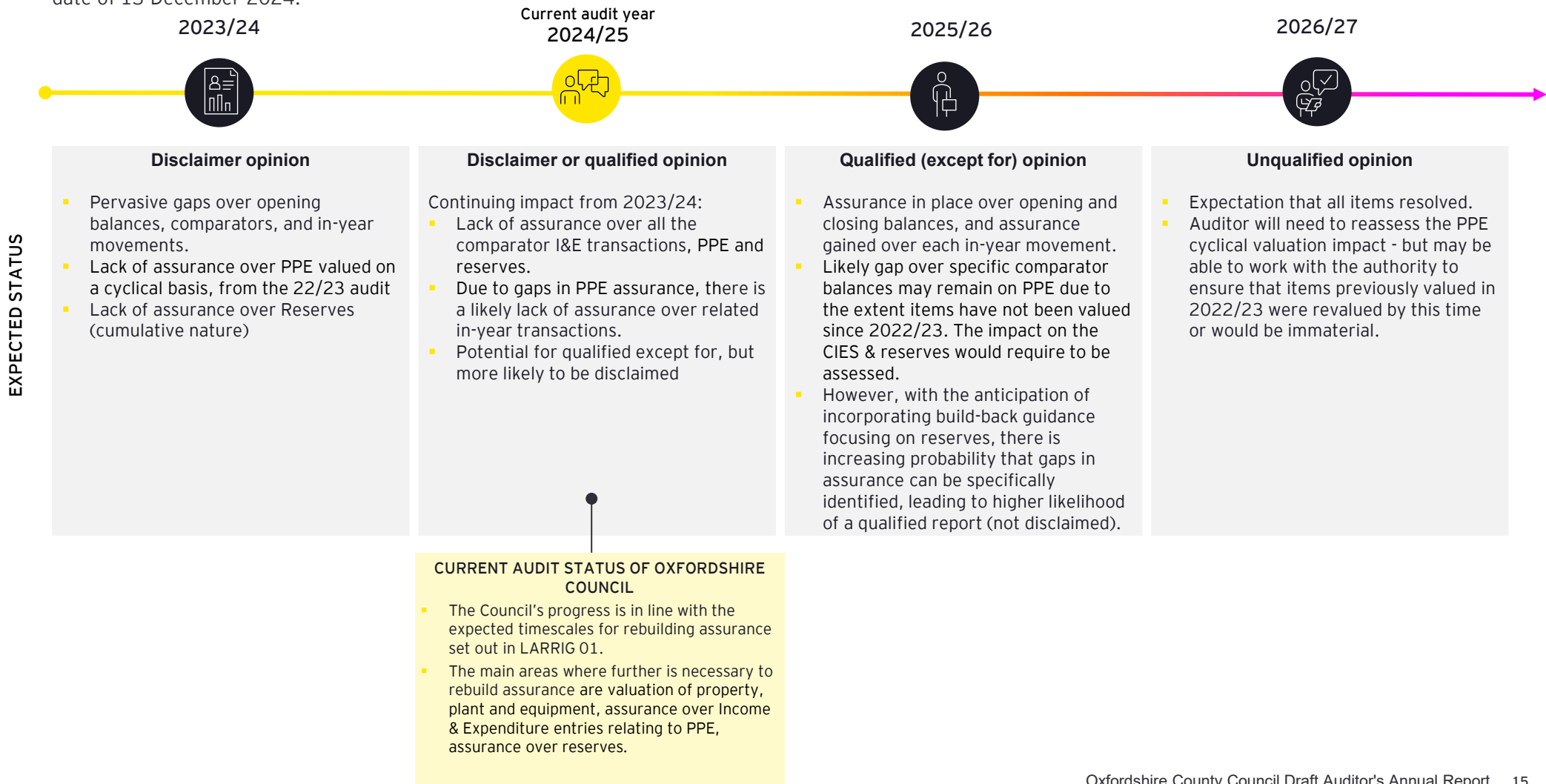
Financial Statement reporting assessment

Area	Status			Explanation
	R	A	G	
Timeliness of the draft financial statements	Effective			The financial statements were published by the 30 th June 2025 deadline set out in the Accounts and Audit Regulations.
Quality and completeness of the draft financial statements	Effective			There were a relatively small number of non-material internal inconsistencies, typographical and arithmetic errors in the draft financial statements.
Delivery of working papers in accordance with agreed client assistance schedule	Requires improvement			<p>The draft financial statements submitted for audit did not contain all the transitional adjustments and disclosures required for implementation of IFRS 16 and supporting working papers were not fully complete, including a consideration of the impact of IFRS 16 on the Council's PFI arrangements. This caused delays in our ability to complete our procedures and our work in this area remains ongoing at the date of this report.</p> <p>Other than the IFRS 16 implementation working papers, working papers were submitted within the agreed timelines.</p>
Quality of working papers and supporting evidence	Effective			Working papers and supporting evidence were generally of a good standard.
Timeliness and quality of evidence supporting key accounting estimates	Effective			The timeliness and quality of evidence supporting key accounting estimates was generally satisfactory.
Access to finance team and personnel to support the audit in accordance with agreed project plan	Effective			There were no issues with access to the finance team and key personnel.
Volume and value of identified misstatements	Requires improvement			A moderate number of misstatements that were above performance materiality in aggregate were detected as a result of our work across both the main Financial Statements and disclosures. These are yet to be adjusted for by management as we have not received the final Statement of Accounts.
Volume of misstatements in disclosure	Requires improvement			A moderate number of misstatements in disclosures were detected in our work. A large proportion of these disclosure misstatements related to IFRS 16.

Audit of financial statements

Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.





03 Value for Money commentary

Value for Money

The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Our responsibilities

Under the revised NAO Code we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period. Our summary is below:

	Significant risk identified	Significant weakness identified
 Financial sustainability How the Council plans and manages its resources to ensure it can continue to deliver its services.	<ul style="list-style-type: none">No risk of significant weakness identified.	<ul style="list-style-type: none">No significant weakness identified.
 Governance How the Council ensures that it makes informed decisions and properly manages its risks.	<ul style="list-style-type: none">No risk of significant weakness identified.	<ul style="list-style-type: none">No significant weakness identified.
 Improving economy, efficiency and effectiveness How the Council uses information about its costs and performance to improve the way it manages and delivers its services.	<ul style="list-style-type: none">No risk of significant weakness identified.	<ul style="list-style-type: none">No significant weakness identified.



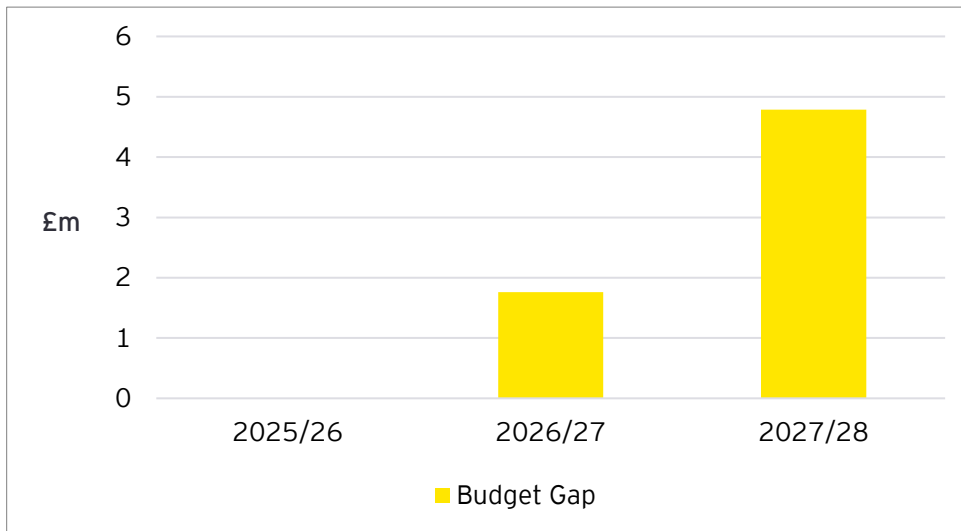
Financial Sustainability considerations

Medium Term Financial Strategy

Exhibit A: The Council's Medium Term Financial Strategy (MTFS) was agreed by Council on 20 February 2024 and highlighted a budget gap in 2026/27 and 2027/28, with the gap reaching £4.8m for 2027/28 before funding reform and assuming an increase of council tax of 3.99%.

At the end of 2024/25 there was a service area underspend of £0.3m. A further underspend of £12.5m related to corporate budgets where there was an underspend against the contingency budget given the strong financial management within services and a lower than budgeted pay award, along with additional interest on balances from higher-than-expected interest rates. As part of the 2024/25 outturn report the Council approved that £10.8m of the underspend in 2024/25 be utilised in the 2025/26 budget.

Exhibit A: The Council's MTFS outlines a cumulative gap of £4.8 million by 2027/28





Financial Sustainability considerations

Reserves position

Exhibit B: The Council maintains general balances and earmarked reserves based on annual risk assessments. While general balances remain unallocated, earmarked reserves are designated for specific purposes and are intended to address potential future known or anticipated liabilities. As of April 2025, the Council's projected balances are significantly above the risk-assessed level, providing a buffer against unforeseen pressures. For 2025/26, the required general balance remains at £30.2m, unchanged from 2024/25, but reflecting updated risks.

As at 31 March 2025, General Balances were £45.3m, against a risk-assessed minimum of £30.2m. Usable general reserves totalled £243.7m excluding maintained schools' balances. As set out in the Business Management & Monitoring Report presented to Cabinet in October 2025 The forecast level of balances and reserves as at 31 March 2026 is £36.0m and £223.3m respectively.

Exhibit C: As at 31 March 2025, the Dedicated School Grant (DSG) deficit reserve balance disclosed in the Statement of Accounts increased by £34.5m to £80.3m. This balance includes the positive school's reserves of £10.7m (2022/23: £13.1m). See next page for more details.

Exhibit B: The Council's unallocated General Reserve increased by £4 million in 2024/25

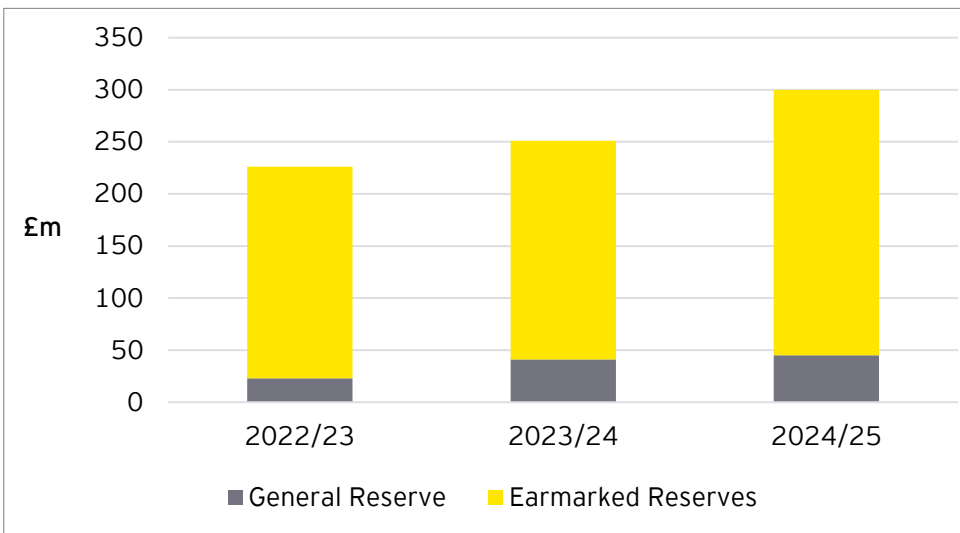
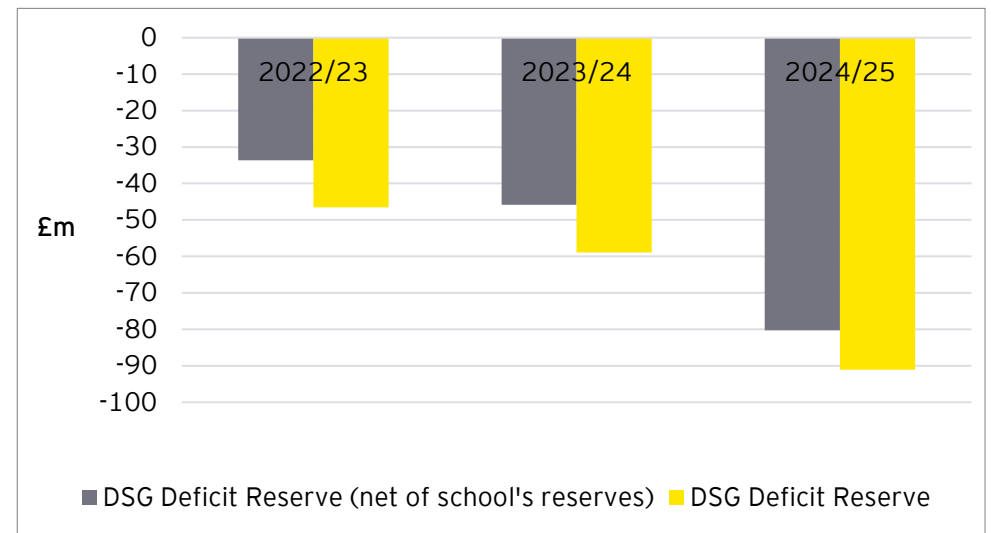


Exhibit C: The Council's negative DSG balance increased by £34.5 million in 2024/25





Financial Sustainability considerations

Dedicated Schools Grant (DSG) balance

The Council's high negative Dedicated Schools Grant (DSG) balance is managed under the statutory override, allowing the deficit to be held in an unusable reserve until March 2028. This prevents the deficit impacting the General Fund and other usable reserves but still represents a significant financial risk to the Council.

The High Needs DSG deficit is forecast to increase from £92.3m in March 2025 to £152.9m by March 2026, growing faster than available funding. If this trajectory continues and the statutory override ended in 2028, the DSG deficit would likely be larger than all usable reserves at that point. However, the government have indicated that they will provide an update about solutions to managing High Needs DSG deficits in the context of the legal requirement to set a balanced budget as part of the Local Government Finance Settlement for 2026/27.

Should this not materialise, one option to ensure there was an adequate level of reserves would be to use the annual £4m contribution to the Demographic Risk reserve to fund the revenue costs of borrowing from the PWLB to fund part of the deficit (subject to approval to borrow for that purpose). £4m would support borrowing of £67m over 25 years. If necessary, further on-going revenue funding for additional borrowing would need to be identified. The Council is forecast to be £323m internally borrowed by 2027/28, which leaves significant headroom to externalise this borrowing to provide ample cashflow to manage the liquidity impact of expenditure on High Needs DSG.

The Council is continuing to implement a Deficit Management Plan aligned with the Department for Education's Delivering Better Value (DBV) programme. A block transfer from schools' DSG to High Needs to support Special Educational Needs (SEN) across all schools in 2026/27 is being considered alongside a potential disapplication request if agreement with the Schools' Forum cannot be reached. Despite these measures, continued increases in demand and inflationary pressures are proving to be considerably greater than reductions in expenditure that can be achieved through efficiencies and demand management.

Some of the mitigations within the Deficit Management Plan are:

- New Special Schools scheduled 2023/24 to 2029/30.
- SEN Units/ Resource Bases.
- Transfer of Resource Bases to Schools - to be piloted from 2025/26.
- Implementation of a Banding System from 1 April 2026.
- Savings through contract renegotiation.
- Review of internal services.
- Reduction in the use of Agency workers.
- General Housekeeping and the creation of efficiencies.

It is essential that the Council delivers these mitigations and seeks to do all it can to further develop further arrangements to reduce or contain the current level of overspending in this area.



Financial Sustainability considerations

Financial Resilience

The Council's financial planning is a continuous, integrated process that aligns resources with strategic and statutory priorities. It combines scenario planning, risk management, regular performance monitoring, and strong governance to ensure the sustainable delivery of essential services.

The Council has a Strategic Plan 2023-2025 (greener, fairer, healthier Oxfordshire) in place which sets out the Council's vision to lead positive change by working in partnership to make Oxfordshire a greener, fairer and healthier county. The 2025 - 2028 plan has been presented at the October 2025 Cabinet meeting for recommendation to be submitted to Council for approval.

The Medium-Term Financial Strategy (MTFS) is designed to ensure resources are allocated to priority areas, balancing statutory duties (such as social care and education) with local strategic ambitions.

The annual budget, MTFS, and capital programme are developed together, ensuring a holistic approach to resource allocation. These plans are informed by:

- A comprehensive financial strategy.
- Capital and investment strategies.
- Treasury management and investment strategies.
- Risk assessments of required balances and reserves.

The Council produces monthly Business Management and Monitoring Reports, which track financial performance, service delivery, and leadership risks. The MTFS includes scenario planning to anticipate funding changes, demographic pressures, and inflation. The Council maintains general balances and earmarked reserves, based on annual risk assessments, to provide a buffer against unforeseen pressures and support service sustainability. The latest Financial Outlook Strategy notes that it is possible that existing funding available to the Council could reduce by between £20m and £45m over a two to-three-year period from 2026/27 onwards requiring savings to be made to balance the overall budget. The Council continues to receive additional funding from interest on cash balances which has helped to provide one-off funding for priorities including transformation. As set out on the previous page, the increasing level of overspending against the Council's High Needs DSG budget is now having a significant adverse impact on the level of available cash for investment. This also therefore adversely impacts the additional funding the Council is able to generate from interest on cash balances. The 2025/26 budget also includes an on-going contingency budget of £7.3m. This includes £4.7m for demand risk, £1.7m for the non-achievement of planned savings and £0.9m for other risks.

As well as holding a contingency budget, contingency budget, general balances are also held to ensure that a major incident or emergency can be managed without impacting on other services. In reaching the decision on the level of balances the S151 considers appropriate, there is consideration of the strategic, operational and financial risks facing the Council including the ability to deliver planned savings, as well as external risks such as the impact of climate change. The recommended minimum level of balances for 2024/25 based on this risk assessment is £30.2m.



Financial Sustainability considerations

Financial Resilience (continued)

The proposed capital programme is based on the latest capital programme 2025/26 to 2035/36 as reported to Cabinet in the Capital Programme Monitoring Report in October 2025. The proposed programme consists of the strategy and the split between the Firm Programme and Pipeline Programme

The Capital Programme is fully funded over the ten-year period. The programme is funded by:

- Section 106 and Community Infrastructure Levy.
- Grants and contributions.
- Prudential Borrowing.
- Capital receipts Revenue Contribution.
- Capital Reserves.



VFM commentary: Governance

Governance: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Governance sub-criteria set out in AGN03:

- How the body monitors and assesses risk and how the body gains assurance over the effective operations of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer and member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's governance arrangements. In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years in relation to the governance arrangements. The Council's underlying arrangements in relation to governance are not significantly different in 2024/25.

Overview of our conclusions

Based on the work performed, the for Oxfordshire County Council had proper arrangements in place in 2024/25 to make informed decisions and properly manage its risks.



Governance considerations

Annual Governance Statement

The Audit & Governance Committee approved the Annual Governance Statement (AGS) for 2024/25 at its meeting on 4 June 2025. The statement is guided by CIPFA Advisory Note One, "Understanding the Challenge to Local Authority Governance" (March 2022) and describes the Council's governance framework, the steps that have been taken to ensure that it is effective and establishes key actions that will be put in place to ensure the ongoing effectiveness of the council's arrangements.

In accordance with the Regulation 6 of the Accounts and Audit Regulations 2015, the council has conducted a review of the effectiveness of its system of internal control in accordance with proper practice as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice: Delivering Good Governance in Local Government (2016). The review has been undertaken in consultation with the Council's Head of Paid Service, the Monitoring Officer, and the Executive Director of Resources (Section 151 Officer).

Risk Management

The Executive Director of Resources & Section 151 Officer had overarching responsibility for risk management. She is supported by the Head of Insight and Corporate Programmes. The Risk and Opportunities Management Strategy was approved by the Audit and Governance committee and published in May 2023, and outlines the process of Identification, Assessment, Managing and Controlling and Review and Reporting of risks across the Council.

The Council maintains risk registers at both the strategic and operational levels. These registers are regularly updated and reviewed to ensure emerging risks are identified and managed appropriately. Risk Management is reviewed monthly by Council Management Team, and bi-monthly by Strategic Leadership Team, Informal Cabinet, Cabinet and is also an agenda item for chairs of scrutiny committees. Monthly Business Management and Monitoring Reports which track financial performance, service delivery, and leadership risks using a Red/Amber/Green (RAG) rating system are presented to Cabinet.

There are currently 9 strategic risks listed. All nine strategic risks remained static in their residual risk scores from February 2025 to March 2025. The only two high risks relate to a failure to deliver Oxford Core Schemes (Workplace Parking Levy, Zero Emissions Zone and associated city area schemes such as Low Traffic Neighbourhoods) with public support; and the increasing vulnerability to climate impacts leading to failure of key infrastructure and services with a direct impact on health, safety, environment and businesses.



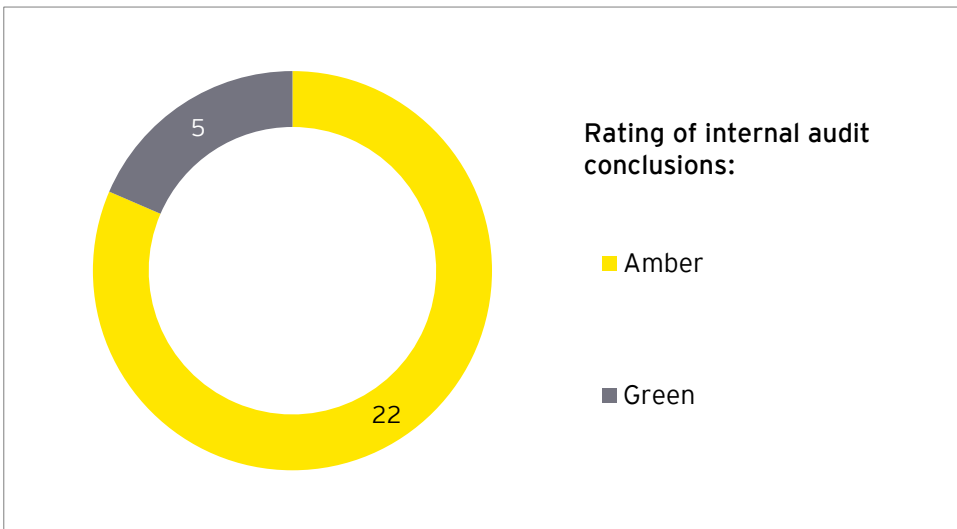
Governance considerations

Internal audit arrangements

The Council has an internal audit function that operates according to an annual plan, which is risk-based and approved by the Audit & Governance Committee. The Internal Audit Strategy and Annual Plan for 2024/25 was presented to the May 2024 Audit and Governance Committee, with a revised plan presented to the January 2025 meeting. Progress reports, including summaries of audit findings and conclusions is presented at the Audit and Governance Committee meetings. Internal audit provides independent assurance on the effectiveness of internal controls, risk management, and governance processes. The annual internal audit opinion is a key source of assurance. The 2024/25 Internal Audit Opinion was satisfactory for the current year and there were no overall red rating reports, and no significant weakness in internal controls identified during the year. Internal Audit continue to manage the National Fraud Initiative data matching exercise which is completed once every two years. Key matches are investigated, and results are reported to the Audit & Governance Committee in quarterly updates.

The offence of failing to prevent fraud, as introduced by the Economic Crime and Corporate Transparency Act 2023, became effective on 1 September 2025. The Home Office has published statutory guidance (most recently updated in October 2025) which organisations must consider. This guidance outlines the core principles for establishing, reviewing, or enhancing anti-fraud procedures. It is recommended that authorities review existing fraud policy and procedures against the latest Home Office guidance. If this review has not yet taken place, it should be prioritised to ensure compliance with the Act and to mitigate the risk of enforcement action.

Exhibit D: Internal audit's follow up of recommendations noted that around 80% were completed as planned





Governance considerations

Informed decision making and member challenge

The Council has established governance frameworks that set out roles, responsibilities, and decision-making pathways. The Council's decision-making processes are underpinned by comprehensive reports that include financial, legal, risk, and equality implications. Management information systems provide timely and accurate data (both financial and non-financial) to support decisions. Key decisions, reports, and supporting evidence are published and made available to the public, promoting transparency. There is regular consultation with a variety of stakeholders on major proposals, including residents, partners, and other local bodies, ensuring that a range of views inform decision-making.

The Performance & Corporate Services Overview & Scrutiny Committee reviews and challenges budget proposals, policy decisions, and performance reports before they are finalised. The Audit & Governance Committee provides independent oversight of governance, risk management, and internal controls, and can challenge management on the effectiveness of arrangements. Internal audit provides independent assurance on the effectiveness of controls and the integrity of decision-making processes. External audit reviews the council's financial statements, value for money arrangements, and governance processes, offering further challenge and assurance.

Budgeting setting and monitoring

The annual budgeting process including the responsibilities and procedures in the annual budget process is set out within the Constitution of the Council.

Full Council approves and adopts the Budget and key plans and strategies. The Cabinet is responsible for implementing the approved Budget and plans. The Cabinet drafts budget proposals according to a set timetable, considering legal and policy deadlines. Views are sought from the public, stakeholders, and relevant committees as part of this process, with the feedback received considered and reported. Before finalising, the Cabinet must invite the Overview and Scrutiny Committee to review and advise on the proposals. The Cabinet considers the Scrutiny Committee's recommendations and submits the final proposals to Full Council, explaining how feedback was addressed.

The Council has an established budgetary control framework, with clear roles and responsibilities for budget holders and finance teams. Monthly Business Management and Monitoring Reports, which are presented to Cabinet by the S151 Officer, track financial performance against the approved budget. Budget holders receive regular updates and are responsible for monitoring their own budgets, supported by central finance. 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 the Council.



Governance considerations

Budget Process continued

The Financial Strategy outlines the Council's approach to achieving financial sustainability in the medium and long term. It aligns with other corporate strategies, including the Strategic Plan and Capital & Investment Strategy, emphasizing the need for integrated and coordinated plans to ensure financial resilience. Financial resilience refers to the Council's capacity to adapt to changes in service delivery or demand without risking financial failure. The budget is designed to support financial sustainability while delivering essential services and advancing the vision of a greener, fairer, and healthier Oxfordshire. Achieving financial sustainability and resilience requires focus on four critical elements:

- Transforming the Council into a preferred employer and partner.
- Managing rising demand through effective demand management.
- Achieving planned savings and outcomes from investments.
- Maintaining adequate earmarked reserves and general balances, using one-off resources only for temporary needs.

The following management information, including non-financial data points, was considered in the development of the MTFS:

- Funding Reform Overview: Starting in 2026/27, the government plans to reform council funding to better allocate resources based on updated assessments of need and local resources. This includes a reset of the business rates retention system and consultations on transitional arrangements.
- Social Care Grant Distribution: The increase in the Social Care Grant for 2025/26 has been equalized, with the council receiving approximately 0.7% of the national total, down from 1% in previous years. The Children's Social Care Prevention Grant will be distributed based on a new needs-based formula, with the Council receiving £1.4 million (0.6% of the national total).
- Business Rates Reset: A full Business Rates Reset is planned for 2026/27 reallocating growth accumulated since 2013/14 based on the updated funding assessment. Future growth will be retained by local authorities, subject to a levy in some cases.
- Potential Funding Loss: The Council may face a loss of approximately £4.9m in growth in business rates. This could lead to an overall funding reduction of £20m to £45m over two to three years starting in 2026/27.
- Transformation Program: The Council's "Delivering the Future Together" program aims to enhance financial sustainability by focusing on key priorities, optimizing building usage, leveraging technology, collaborating with partners, and exploring commercial opportunities.
- High Needs Dedicated Schools Grant Deficit: Oxfordshire is implementing a Deficit Reduction Plan for High Needs DSG, however annual deficits continue to increase. The DSG Unusable Reserve deficit is expected to reach over £152.9 million by the end of 2025/26 after taking account of the in-year deficit estimated at £60.6m. Despite the action being taken the deficit is likely to continue to increase and is recognized as a serious potential risk to the Council's future financial sustainability. Information on how the deficits will be managed is expected to be shared by the government as part of the Provisional Local Government Finance Settlement for 2026/27. A White Paper on SEND reform is now expected to be published by the Government in early 2026.



VFM commentary: Improving economy, efficiency and effectiveness

Improving economy, efficiency and effectiveness: Our audit procedures

Our audit procedures include:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the body evaluates the service it provides to assess performance and identify areas for improvement;
- How the body ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess where it is meeting its objectives; and
- Where the body commissions or procures services, how it assesses whether it is realising the expected benefits.

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's arrangements for improving economy, efficiency and effectiveness. In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years in relation to improving economy, efficiency and effectiveness. The Council's underlying arrangements in relation to improving economy, efficiency and effectiveness are not significantly different in 2024/25.

Overview of our conclusions

Based on the work performed, the Council had proper arrangements in place in 2024/25 in how it uses information about its costs and performance to improve the way it manages and delivers its services.



Improving economy, efficiency and effectiveness considerations

Financial and performance information

The Council produces monthly Business Management and Monitoring Reports that integrate service performance data (KPIs, outcomes) with financial information and risk assessments. These reports use a RAG rating system to flag services that are performing well, at risk, or underperforming. The integration of financial and non-financial data allows the council to identify trends, emerging issues, and areas needing attention.

Senior leadership, Cabinet, and scrutiny committees review performance reports regularly. Underperformance or adverse trends trigger further investigation, challenge, and the development of corrective action plans. This oversight ensures that both service quality and value for money are kept in focus. The Council benchmarks its service performance against other local authorities and national standards. External audits, inspections, and peer reviews provide independent validation of performance and highlight further areas for improvement.

When performance data highlights issues such as missed targets or declining service quality, the Council develops targeted improvement plans. Progress against improvement actions is tracked in subsequent reports, ensuring accountability and learning. Lessons learned from monitoring, audit, and feedback processes are fed back into planning and decision-making. The Council adapts its strategies and resource allocation in response to changing circumstances and new insights.

Financial performance in the year has been sound. There has been an overall underspend of £12.8m (£0.3m service area underspend and £12.5m in corporate budgets) lower than budget due to an underspend against the contingency budget given the strong financial management within services and a lower than budgeted pay award along with additional interest from higher-than-expected interest rates. In addition, £20.1m savings of the £30.1m budgeted savings were delivered during the year.

The Capital Outturn Report assesses the status of investments and funding for the ten-year Capital Programme at the end of 2024/25. Planned capital spend for 2024/25 totalled £251.1m. Actual capital programme expenditure by 31 March 2025 was £231m. This spend is now expected to take place in 2025/26. The £231.0m expenditure was funded by £146.9m of capital grants and other external contributions, £27.1m of developer contributions and Community Infrastructure Levy, £3.3m of revenue contributions, and £53.7m of prudential borrowing.



Improving economy, efficiency and effectiveness considerations

Partnership working

OXLEP

From 31 March 2024, Local Enterprise Partnerships ceased to have official recognition and existing LEP functions were transferred to upper-tier local authorities or combined authorities. The County Council is the Accountable Body for the Oxfordshire Local Enterprise Partnership (OxLEP) and from 1 April 2024 had a controlling interest in the Partnership. OxLEP's purpose is to inspire and collaborate to deliver economic opportunities for the communities of Oxfordshire. It brings together representatives from academia, business and the public sector across Oxfordshire.

Integrated Business Centre

The Council is a formal partner in the Integrated Business Centre (IBC) hosted by Hampshire County Council. The Council joined in 2014/15 as the first operational partner for the provision of shared financial and HR services. The service offered by the IBC are HR Services, Finance Services, Purchase to Pay Services.

The Council is formally represented on the performance board of the IBC. Performance is formally reviewed on a quarterly basis, and this includes a range of performance measures, overlaid by comprehensive service performance reports, and agreed actions to drive continued collective performance improvement. The IBC also provides an ISAE 3402 Type 2 report in relation to the control environment, which identified no significant control weaknesses in 2024/25. This allows the Council to monitor the control environment and follow up on any control weaknesses noted.

National Health Service Section 75 Pooled Budgets

The Council has two pooled budgets with Oxfordshire Clinical Commissioning Group and Oxford Health NHS Foundation Trust. The pooled budgets operate to provide better outcomes for patients within Oxfordshire and ensure that the resources in place are best utilised for maximum impact.

Oxfordshire Health and Wellbeing Board

The Health and Wellbeing Board is a partnership between local government, the NHS and the people of Oxfordshire. It includes local GPs, councillors, Healthwatch Oxfordshire, and senior local government officers. The Board has been set up to ensure that we work together to improve everyone's health and wellbeing, particularly those who have health problems or are in difficult circumstances. The board provides strategic leadership for health and wellbeing across the county. The Board will also ensure that plans, such as the Joint Local Health and Wellbeing Strategy are in place and action is taken to realise those plans.

Future Oxfordshire Partnership

The Future Oxfordshire Partnership is a joint committee of the six councils of Oxfordshire. The partnership's purpose is to deliver the bold aims of the [Strategic Vision](#) that all six member councils have adopted. It:

- Coordinates local efforts to manage economic, housing and infrastructure development in a way that is inclusive and maximises local social and environmental benefits.
- Supports the development of local planning policy that meets the UK Government's stated aim of net zero carbon by 2050 and contributes towards biodiversity gain whilst embracing the changes needed for a low carbon world.
- Seeks to secure funding in the pursuit of these aims and oversee the delivery of related work programmes delegated to it by the joint committee's constituent local authority members.



Improving economy, efficiency and effectiveness considerations

Procurement and commissioning of services

Within the Constitution of the Council in Part 8, Section 3 it sets out the procurement and contracts procedures. This includes the procedures and statutory requirements in terms of the procurement of services. The relevant procurement team and legal services must be notified before officers enter into any procurement process which will or may result in the incurring of any expenditure for the supply of goods, services or works, where: (i) the estimated value of the proposed Contract is £30,000 incl VAT (£25,000 excl VAT) or more; or (ii) the proposed Contract is for the benefit of two or more services or parties; or (iii) the Contract is considered complex, sensitive or high-risk for any other reason (e.g. an outsourcing involving a TUPE transfer of Council staff), or will involve the use of a third party Framework Agreement, dynamic purchasing system or dynamic market. The council has set procurement thresholds which will determine if requests for quotations will or will not be required. All authorised Officers involved in procurement contracts must actively ensure value for money by following the official Guidance approved by the Executive Director of Resources and the S151 Officer.

The Council has developed an Ethical Procurement Policy which is designed to guide the organisation towards sustainable and ethical procurement practices and crucial for achieving the council's goal of net zero carbon emissions and promoting social responsibility.

Contract management was identified as a key area in the 2024/25 Internal Audit Plan. The plan included targeted audits to assess the effectiveness of contract oversight, compliance, and value for money in strategic contracts. The audits found that contract management processes and procedures are generally well controlled and managed. There were no "red" (critical) reports issued in the period, indicating no significant weaknesses were found in contract management.

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