



To: Members of the Audit & Governance Committee

Notice of a Meeting of the Audit & Governance Committee

Wednesday, 14 January 2026 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.

A handwritten signature in black ink that appears to read 'Martin Reeves'.

Martin Reeves
Chief Executive

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

Membership

Chair – Councillor Roz Smith
Deputy Chair - Councillor John Shiri

Councillors

Ron Batstone
Andrew Crichton
Ted Fenton

James Fry
David Hingley
Gavin McLauchlan

Leigh Rawlins

Co-optee

Kate Cartwright
Paul McGinn

Notes:

- **Date of next meeting: 11 March 2026**



AGENDA

- 1. Apologies for Absence and Temporary Appointments**
- 2. Declaration of Interests - see guidance note**
- 3. Minutes of the Previous Meeting (Pages 7 - 14)**

The Committee is RECOMMENDED to approve the minutes of the meeting held on 26 November 2025 and to receive information arising from them.

- 4. Petitions and Public Address**

Members of the public who wish to speak on an item on the agenda at this meeting, or present a petition, can attend the meeting in person or 'virtually' through an online connection.

Requests to present a petition must be submitted no later than 9am ten working days before the meeting.

Requests to speak must be submitted no later than 9am three working days before the meeting.

Requests should be submitted to committeesdemocraticservices@oxfordshire.gov.uk

If you are speaking 'virtually', you may submit a written statement of your presentation to ensure that if the technology fails, then your views can still be taken into account. A written copy of your statement can be provided no later than 9am on the day of the meeting. Written submissions should be no longer than 1 A4 sheet.

- 5. Internal Audit 2025/26 Progress Report (Pages 15 - 44)**

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

The report includes the Executive Summaries from the individual Internal Audit reports finalised since the last report to the September 2025 Committee.

The Committee is RECOMMENDED to note the progress with the 2025/26 Internal Audit Plan and the outcome of the completed audits.

- 6. Treasury Management Strategy Statement & Annual Investment Strategy for 2026/27 (Pages 45 - 64)**

The Treasury Management Strategy & Annual Investment Strategy for 2026/27 outlines the council's strategic objectives in terms of its debt and investment management for the financial year 2026/27.

The forecast average cash balance for 2026/27 is £345m. The council will maintain its investment in strategic pooled funds with a purchase value of £88m (25%). The remaining £257m (75%) will be managed internally with a mixture of short, medium and long-term deposits.

The Bank of England Base Rate is forecast to start the year at 3.75 or 3.50%, reducing to 3.25% by the end of the financial year.

UK Government Gilt yields are forecast to fall from 4.80% to 3.80% over the medium term.

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

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

The Committee is RECOMMENDED to endorse the Treasury Management Strategy & Annual Investment 2025/26.

7. Financial Management Code (Pages 65 - 86)

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 Ministry of Housing, Communities and Local Government (MHCLG) in the context of increasing concerns about the financial resilience and sustainability of local authorities.

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.

The FM Code requires local authorities to demonstrate compliance on an annual basis, with assessments taking a retrospective view of the current financial year. This approach ensures that financial management practices are reviewed against actual performance rather than projections. The assessment aligns closely with the Annual Governance Statement (AGS), which is a statutory requirement under the Accounts and Audit Regulations. Together, these form the key elements of the authority's assurance framework, providing evidence that sound financial management and robust governance arrangements are in place to support transparency, accountability, and financial sustainability.

The report sets out the outcome of the compliance self-assessment undertaken for 2025/26 which has found that the Council is well placed to meet the requirements of the FM Code.

The Committee is RECOMMENDED to endorse the assessment of compliance against the Financial Management Code for 2025/26 (Annex 1).

8. Annual Governance Statement - Update on Actions (Pages 87 - 92)

On 4 June 2025, this Committee approved the Annual Governance Statement (AGS) for the year 2024/25. 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.

The Director of Law & Governance, and Monitoring Officer presented an update to Committee on 26 November 2025 on the eight specific areas of focus identified in the 2024/25 AGS for action in 2025/26. This report 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 2024/25 and to make any comment upon them.

9. Audit Working Group Update (Pages 93 - 96)

The Audit Working Group (AWG) met on 10 December 2025. The group received an update on the implementation of management actions arising from the audit of Strategic Contract Management and the audit of Income Collection Street Works and Parking, which were both undertaken on 2024/25.

The Committee is RECOMMENDED to note the report.

10. Audit & Governance Work Programme (Pages 97 - 98)

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-registerable 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 registerable 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.

Agenda Item 3

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 26 November 2025 commencing at 1.00 pm and finishing at 3.48 pm.

Present:

Voting Members: Councillor Roz Smith – in the Chair
Councillor John Shiri (Deputy Chair)
Councillor Ron Batstone
Councillor Andrew Crichton
Councillor Ted Fenton
Councillor James Fry
Councillor David Hingley
Councillor Gavin McLauchlan
Councillor Leigh Rawlins

Non-voting Members: Kate Cartwright
Paul McGinn

Others in attendance: Kalthiemah Abrahams, Ernst and Young
Simon Mathers, Ernst and Young
Jack Nicholson, Democratic Services Officer

Agenda Item	Officer Attending
8	Ian Dyson, Director of Financial and Commercial Services Ella Stevens, Deputy Chief Accountant
9	Tim Chapple, Treasury Manager
10 and 11	Declan Brolly, Counter Fraud Team Manager Sarah Cox, Chief Internal Auditor
12	Louise Tustian, Director of Transformation, Customer Experience and Digital introduced the report
13	Michael Adcock, Deputy Chief Fire Officer Matt Shanck, Strategic Risk and Assurance Officer
14–18	Anita Bradley, Director of Law and Governance and Monitoring Officer Sarah Smith, Senior Governance Lead

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports, copies of which are attached to the signed Minutes.

76/25 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS (Agenda No. 1)

There were no apologies for absence from members of the Committee.

The Chief Fire Officer sent his apologies for not being present for Item 13. The Deputy Chief Officer was present on his behalf.

77/25 DECLARATION OF INTERESTS

(Agenda No. 2)

The Chair declared an interest in relation to Item 13; her nephews were Oxfordshire firefighters. However, there were no objections to her keeping the chair throughout.

78/25 MINUTES OF THE PREVIOUS MEETING

(Agenda No. 3)

In response to a question at the previous meeting, the Treasury Manager said that the cost to the Council of managing existing funds was 0.68 per cent and that the dividends that the Council received were net of those management charges.

The Committee noted the written responses to questions raised at the meeting held on 17 September 2025, which they had received from the Head of Corporate Finance and the Director of Law and Governance and Monitoring Officer.

RESOLVED to approve the minutes of the meeting held on 17 September 2025 as an accurate record of proceedings.

79/25 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

There were no petitions.

Mr David Hearn did not attend the meeting to address the Committee.

80/25 ERNST AND YOUNG DRAFT AUDIT RESULTS REPORT 2024/25

(Agenda No. 5)

External auditors from Ernst & Young Limited Liability Partnership introduced reports for this and the following two items.

The Committee asked about the capitalisation of labour and noted that it applied to project management and that the Home Upgrade Grant was a back payment for services received.

The Committee also asked about outstanding balances and noted that the system did not always capture them accurately, although auditors could clearly identify who had and had not paid.

The Committee discussed their ambition for unqualified accounts.

The Committee also asked about the variation fee and noted that the Public Sector Accounting Standards Authority sets the audit fee scale annually in consultation with the Council.

The Committee sought and were given assurance that the factual misstatement of £8.3 million in the adoption of IFRS 16 did not have a material impact on the report.

RESOLVED to note Ernst and Young's Draft Audit Results Report for 2024/25.

81/25 ERNST AND YOUNG DRAFT AUDITOR'S ANNUAL REPORT 2024/25

(Agenda No. 6)

The Committee noted that at the end of March 2025:

- The County Fund or Revenue General Reserve was £45 million.
- The Medium-Term Fiscal Plan Deficit was £5 million.
- The Business Rates Review was forecast for £5 million.
- The Fair Funding Review was forecast for £20 million.

The Council also noted that Special Educational Needs and Disability (SEND), excluding the High Needs Dedicated Schools Grant (DSG) deficit, could cost up to £50 million per year.

The Council also noted that Usable Capital Reserves were at £221 million, which were not enough to cover the financial pressures identified without additional support.

The Committee discussed the possibility of applying Public Works Loan Board (PWLB) borrowing to the High Needs Dedicated Schools Grant (DSG) deficits.

RESOLVED to note Ernst and Young's Draft Auditor's Annual Report for 2024/25.

82/25 ERNST AND YOUNG DRAFT AUDIT RESULTS REPORT FOR THE PENSION FUND 2024/25

(Agenda No. 7)

The Committee asked about the authorisation of use of journals within the Council and noted that the review process constituted sufficient control.

ACTION

External auditors said that they would take a question about the proportion of pension funds arising from riskier Level 3 investments away for a response.

RESOLVED to note Ernst and Young's Draft Audit Results Report for the Pension Fund for 2024/25.

83/25 STATEMENT OF ACCOUNTS 2024/25

(Agenda No. 8)

The Deputy Chief Account introduced the report.

The Committee asked about the Capital Programme overspend and noted that a Board of officers was being introduced to improve its forecasting and delivery.

The Committee said that it was disappointing that they were still waiting for a government White Paper on SEND reform.

The Chair congratulated the Deputy Chief Accountant on her appointment as the Council's Chief Accountant.

RESOLVED to:

- a) approve the Statement of Accounts 2024/25 at Annex 1;**
- b) note the Summary Accounts 2024/25 at Annex 2;**
- c) agree that no changes are required to the Annual Governance Statement 2024/25;**
- d) approve the Draft Letter of Representations 2024/25 for the Oxfordshire County Council accounts at Annex 3; and**
- e) agree that the Executive Director of Resources and Section 151 Officer, in consultation with the Chair of the Committee (or Deputy Chair in her absence), can make any further changes to the Statement of Accounts 2024/25 and/or letters of representation that may arise during completion of the audit.**

84/25 TREASURY MANAGEMENT MID-TERM REVIEW 2025/26

(Agenda No. 9)

The Treasury Manager introduced the report.

The Chair congratulated Treasury Management on the accrual of nearly £10 million in interest at mid-term for 2025/26, which was double what was expected.

The Committee asked about the use of Lender Option Borrower Option (LOBO) Loans and noted that Treasury Management always set aside money for their repayment.

The Committee sought and received assurance that actions were in place to stabilise the High Needs Dedicated School Grant (DSG) Block cumulative deficit.

ACTIONS

The Treasury Manager said that he would answer a question about the minimum repayments for loans from the Public Works Loan Board at the next meeting.

It was agreed that the High Needs DSG deficit would be referred to the Executive Director of Resources and Section 151 Officer and the Cabinet Member for Finance, Property and Transformation for a fuller response.

RESOLVED to note the council's treasury management activity for the first half of 2025/26 and recommend Council to note council's treasury management activity in the first half of 2025/26.

85/25 COUNTER-FRAUD UPDATE

(Agenda No. 10)

The Chief Internal Auditor and Counter Fraud Team Manager introduced the report for this and the following item.

The Committee asked about fraud taking place in their divisions and noted that this was and would be dealt with by Trading Standards and partner agencies.

The Committee also asked for an update on Counter-Fraud Cases raised against Council employees and noted that that was not possible for live investigations.

The Committee asked about Blue Badge Enforcement and noted that data matching led by the Cabinet Office took place every two years to prevent fraud.

The Committee sought and received assurance that officers were confident in the National Fraud Investigation's efforts in relation to Adult Social Care.

RESOLVED to note the summary of activity against the Counter Fraud Plan for 2025/26.

86/25 ANTI-FRAUD AND CORRUPTION STRATEGY

(Agenda No. 11)

The Chair asked how the failure to prevent fraud would be judged as such and noted that the Council had all statutory requirements around prevention already in place.

The Committee asked about fraud and corruption in relation to any contractors and noted that if the Council were affected then this strategy would apply.

The Committee sought and received assurance that all officers received Anti-Fraud and Corruption training as required.

RESOLVED to approve the revised Anti-Fraud and Corruption Strategy Executive Summary.

87/25 RISK MANAGEMENT UPDATE

(Agenda No. 12)

The Director of Transformation, Customer Experience & Digital introduced the report.

The Committee asked about the risk in relation to Local Government Reorganisation (LGR) and noted that those risks had been de-escalated to operational level.

The Committee also discussed how and why the Council pools data in relation to risk with other Councils to identify best practice.

The Committee also asked about the Inherent Risk Score used in the report and the processes involved in risks featuring on the Strategic Risk Register.

The Committee noted that members were entitled to suggest risks for inclusion on the Strategic Risk Register at any time and not just in their meetings.

ACTIONS

The Director of Transformation, Customer Experience and Digital said that she would write to the Committee with further information about Strategic Risk 11 – Section 106.

It was agreed that training would be set up, for members, to explain the Council's Strategic Risk Register and Inherent Risk Score in greater depth.

RESOLVED to note the risk management update and approve the revised risk and opportunities policy 2025/26.

88/25 OXFORDSHIRE FIRE AND RESCUE SERVICE STATEMENT OF ASSURANCE 2024-25

(Agenda No. 13)

The Deputy Chief Fire Officer and Strategic Risk and Assurance Officer introduced the report.

The Committee congratulated Oxfordshire Fire and Rescue Service on delivering value for money and thanked firefighters for their work.

The Committee asked if the principle of equality extended to delivering a consistent quality of service countywide and were advised that it did.

The Committee discussed lithium-batteries, high-rise buildings, and houses in multiple occupation as fire hazards and the work that the Service did to minimise risk.

Officers urged Members to let the Service know of any houses in multiple occupation in their divisions that would benefit from a fire safety inspection.

RESOLVED to approve the Oxfordshire Fire and Rescue Service Statement of Assurance 2024/25 for publication.

89/25 ANNUAL GOVERNANCE STATEMENT 2024-25 - ACTION UPDATE

(Agenda No. 14)

The Director of Law and Governance and Monitoring Officer introduced the report for this and the following four items.

RESOLVED to note this update on the actions from the Annual Governance Statement 2024/25.

90/25 ANNUAL REPORT ON WHISTLEBLOWING 2024/25

(Agenda No. 15)

The Committee discussed the potentially negative connotations of the word whistleblowing; however, they noted that whistleblowing had increased with the new policy.

The Committee discussed whistleblowing in relation to any contractors and noted that the Council expected contractors to have their own policies in place.

The Committee equally asked if the Council had considered contracting its own whistleblowing and noted that that had been considered but that it was deemed unnecessary.

The Committee sought and received assurance from officers that measures were in place to prevent a culture of relation to whistleblowing within the Council.

RESOLVED to:

- a) note the number of incidents of Whistleblowing in the financial year 2024-25 and**
- b) note that training on Whistleblowing was being rolled out within the Council**

91/25 GOVERNMENT RESPONSE TO STRENGTHENING THE STANDARDS AND CONDUCT FRAMEWORK FOR LOCAL AUTHORITIES IN ENGLAND CONSULTATION

(Agenda No. 16)

The Committee approved of the proposal for a system that could permit councillors to be suspended from office, for instance, where legal action is taken against them.

The Committee noted that this would be further discussed by Parliament and as such would feature on a future agenda.

RESOLVED to note the government's response to the Strengthening the Standards and Conduct Framework for local authorities in England Consultation, and that legislation is intended to be brought through subject to parliamentary scheduling.

92/25 CONSTITUTION MEMBER WORKING GROUP

(Agenda No. 17)

The Chair stressed the importance of members attending the Constitution Member Working Group if appointed and of reporting back to their respective political groups.

The Committee agreed that there should be an additional Liberal Democrat member in the group to better enable majority voting by having an odd number of members.

The Committee also agreed that members of the whole Council should be able to make written recommendations to the group and be informed of its discussions.

RESOLVED to:

- a) agree with the proposal to reconvene the Constitution Member Working Group, as set out in this report;**
- b) agree and comment as necessary, on the draft terms of reference for the working group, as set out in Annex A; and**
- c) request the Director of Law and Governance and Monitoring Officer to seek nominations for representatives from each political group who will attend the working group meetings, in accordance with paragraph 15 of this report.**

93/25 MEMBER CHAMPIONS

(Agenda No. 18)

The Chair requested that in future reports each Member Champion have a named Cabinet Member to whom they report to in performing their function.

The Committee asked how the Council determined which areas required a Champion and noted that the list was the result of the executive identifying a particular need.

Members of the Committee who were Champions encouraged others to get involved in this area of the Council's work, should the opportunity present itself.

The Chair thanked officers and all the Council's Champions for their work.

RESOLVED to recommend to Council to amend the Council's Constitution to replace part 8.5, Member Champion Role with the text in Appendix 2.

94/25 AUDIT WORKING GROUP UPDATE

(Agenda No. 19)

There was none.

95/25 AUDIT AND GOVERNANCE WORK PROGRAMME

(Agenda No. 20)

RESOLVED to note the Committee Work Programme to November 2026 with the following additions:

- Training on Risk Management before the Committee meeting on 11 March 2026
- Updates on the Constitution Working Group, provisionally, on that day

..... in the Chair

Date of signing

Agenda Item 5

AUDIT and GOVERNANCE COMMITTEE 14 January 2026

INTERNAL AUDIT 2025/26 PROGRESS REPORT

Report by the Executive Director of Resources & S151 Officer

RECOMMENDATION

1. The Committee is RECOMMENDED to

Note the progress with the 2025/26 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 2025 Committee.

Progress Report:

Resources:

4. A comprehensive update on resources was provided to the Audit and Governance Committee in June 2025 as part of the Internal Audit Strategy and Plan for 2025/26. Since then, a new Principal Auditor joined the team at the end of July 2025. Our Intelligence and Data Officer, who supports both Internal Audit and Counter Fraud, has accepted a new role within the Council and will leave the team in Quarter 4. Work is underway to plan handover arrangements, identify and manage the impacts on delivery of planned work, and develop recruitment plans for a replacement.

2025/26 Internal Audit Plan:

5. The 2025/26 Internal Audit Plan, which was agreed at the June 2025 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 are reviewed regularly with senior management.

6. There have been 8 audits concluded since the last update in September 2025, summaries of findings and status of management actions are detailed in Appendix 2.
7. Two recently finalised audits received an overall conclusion of Red. In line with established practice, reports graded Red are referred by the Audit & Governance Committee to the Audit Working Group for detailed review and discussion. Officers from the relevant service area will be invited to attend these sessions to present the audit findings and outline the action plan to address the identified weaknesses. These two audits have been scheduled for review at the 25 March 2026 Audit Working Group.
8. The completed audits (since the September 2025 update) are as follows:

Final Reports 2025/26:

Directorate	Audit	Opinion
IT Operations / Finance	ContrOCC – IT Audit	Amber
Environment Highways / & IT Operations	HIAMS (Highways Infrastructure Asset System) – IT audit.	Amber
HR & Cultural Change	Absence Recording	Amber
Childrens / Property & Assets	Safeguarding Transport	Red
IT Operations	IT Asset Management	Amber
Childrens	Childrens Transformation - including Financial Management	Amber
Childrens	Missing Children	Amber
Childrens	School Attendance	Red

9. There have been 5 grant certifications completed since last reporting to Audit & Governance Committee in September 2025:
 - Local Transport Capital Block Funding (integrated transport and highways maintenance block), 2024/25, 31/7318
 - Local Transport Capital Block Funding (Pothole Fund) 2024/25, 31/7319
 - Local Authority Bus Subsidy (Revenue) Grant, 2024/25, 31/7227.

- Local Transport Capital Block Funding (Reallocated HS2 Resurfacing) 2024/25, 31/7320
- Disabled Facilities Grant 2024/25 (grant determination reference 31/7271) and additional allocation (grant determination 31/7605).

PERFORMANCE

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

Performance Measure	Target	% Performance Achieved for 25/26 audits (as at 11/12/25)	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 more than 3 X the total audit assignment days (excepting annual leave etc)	77%	Previously reported year-end figures: 2024/25 61% 2023/24 67% 2022/23 71% 2021/22 59%
Elapsed Time for completion of audit work (exit meeting) to issue of draft report.	15 days	100%	Previously reported year-end figures: 2024/25 82% 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: 2024/25 100% 2023/24 100% 2022/23 92% 2021/22 66%

The other performance indicators are:

- % of 2025/26 planned audit activity completed by 30 April 2026 - reported at year end.
- % of management actions implemented (as at 11/12/2025) – 71% of actions have been implemented. Of the remaining 28.5% there are 2.5%

of actions that are overdue, 17% partially implemented and 9% of actions not yet due.

(At September 2025 A&G Committee the figures reported were 75% implemented, 2% overdue, 15.5% partially implemented and 7.5% not yet due)

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

Appendix 3

11. 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.
12. As at 11/12/2025, there were 78 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 144 actions where partial implementation is reported.

Appendix 4

13. Appendix 4 is included for information purposes and lists the Internal Audit Definitions for overall conclusion gradings, management action priorities and root cause categories and descriptions.

Update on Internal Audit Standards and Self-Assessment.

14. As previously reported to the Committee, from 1 April 2025 internal audit teams in the public sector are expected to operate in accordance with the Global Internal Audit Standards (GIAS) and the accompanying Application Note, collectively referred to as the Global Internal Audit Standards in the UK Public Sector. These replace the former Public Sector Internal Audit Standards (PSIAS).
15. While 1 April 2025 marked the effective date of the new standards, full conformance was not required immediately. Internal audit teams are expected to work in alignment with the new standards from that date, progressively building conformance. By the end of the 2025/26 financial year, when the Head of Internal Audit annual opinion is issued, full conformance should be confirmed.
16. Professional standards require an external assessment of Internal Audit every five years. The last assessment, conducted in November 2023 against PSIAS, confirmed full conformance and was reported to the Audit & Governance Committee in January 2024. The next external assessment is scheduled for 2028.

17. Between external assessments, it is recommended practice to undertake a self-assessment. In November 2025, a self-assessment against the new standards was completed using CIPFA's comprehensive tool. This confirmed that the requirements of GIAS have already been implemented and that Internal Audit conforms to the new standards. Actions identified for completion by year-end to ensure full conformance include:

- Scheduling the Audit & Governance Committee Self-Assessment for 2026 (last completed in 2023).
- Scheduling, with the Monitoring Officer, the Review of Effectiveness of Internal Audit for reporting to the Committee in November 2026.
- Enhancing annual reporting (end of 2025/26) to include analysis of themes and root causes identified during audit assignments.
- Updating the Audit Manual to incorporate root cause methodology and adopt GIAS topical requirements – action now complete.

Counter-Fraud

18. A separate counter fraud update is being made to Audit & Governance Committee March 2026 meeting.

Financial Implications

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

Comments checked by: Lorna Baxter, Executive Director of Resources & S151 Officer,
lorna.baxter@oxfordshire.gov.uk

Legal Implications

20. There are no direct legal implications arising from this report which provides a summary of activity against the 2025/26 Internal Audit Plan, which was agreed at the June 2025 Audit & Governance Committee.

Jay Akbar, Head of Legal and Governance,
jay.akbar@oxfordshire.gov.uk

Staff Implications

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

Equality & Inclusion Implications

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

Sustainability Implications

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

Risk Management

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

Lorna Baxter, Executive Director of Resources and S151 Officer

Annex: Appendix 1: 2025/26 Internal Audit Plan progress report
Appendix 2: Executive Summaries of finalised audits since last report.
Appendix 3: Summary of open management actions.
Appendix 4: Internal Audit Definitions

Background papers: Nil

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

January 2026

APPENDIX 1 - 2025/26 INTERNAL AUDIT PLAN - PROGRESS REPORT

Service Area	Audit	Planned Qtr Start	Status as at 18/12/25	Conclusion
Cross Cutting	Capital Programme Delivery	4	Deferred to Qtr 1 of 2026/27 audit plan.	-
Cross Cutting	Grants (received)	2	Fieldwork	
Cross Cutting	Local Government Reorganisation.	4	n/a *See amendments to plan	-
Childrens	Transformation Programme – including Financial Management	2	Final Report	Amber
Childrens	Missing Children	2	Final Report	Amber
Childrens	Multiply	1	Complete	n/a – joint IA&CF work – CF team activity still in progress.
Childrens	School Attendance Orders	2	Final Report	Red
Childrens	Repairs & Maintenance in Schools	3	Fieldwork	
Adults	Discharge to Assess	4	Fieldwork	
HR & Cultural Change	Recruitment – Applicant Tracking System	3	Fieldwork	
HR & Cultural Change	Schools HR	3	Deferred to Qtr 1 of 2026/27 audit plan.	-
HR & Cultural Change	Absence Recording	2	Final Report	Amber
HR & Cultural Change	Addition to plan – Employee Case Relations	2	Fieldwork	
Financial & Commercial Services	Pensions Administration	3	Fieldwork	
Financial & Commercial Services	Pension Fund Investments	4	Draft Report	
Financial & Commercial Services	Insurance	4	Scoping	

Financial & Commercial Services	Duplicate Payments	3 / 4	Fieldwork	
Property & Assets	Vehicle Management Service	3 / 4	Fieldwork	
Property & Assets / Childrens	Safeguarding Transport	2	Final Report	Red
Environment & Highways	Highways	4	Scoping	
Environment & Highways	HIF1 (Didcot Garden Town Housing Infrastructure Fund)	1 / 2	Final Report	Green
Environment & Highways	Bridge Management	3 / 4	Fieldwork	
Environment & Highways / IT Operations	HIAMS (Highways Infrastructure Asset System) – IT audit.	2	Final Report	Amber
Economy & Place	S106 Developer Contributions	3	Scoping	
Transformation, Digital & Customer Experience	Freedom of Information Requests	1 / 2	Final Report	Amber
IT Operations	Database Security	4	Scoping	
IT Operations	ICT Backups	4	Scoping	
IT Operations	Bring Your Own Device (BYOD)	3	Fieldwork	
IT Operations	IT Disaster Recovery	2	Final Report	Amber
IT Operations	IT Asset Management	3	Final Report	Amber
IT Operations	GOSS – IT Audit	1	Final Report	Amber
IT Operations / Finance	ContrOCC – IT Audit	3	Final Report	Amber
Grant Certification completed:				
<ul style="list-style-type: none"> • Delivering Best Value in SEND Programme 2023/24 and 2024/25 – 31/6953 • Bus Grant (Capital) 2025/26 – 31/7749 • Local Transport Capital Block Funding (Pothole Fund) 2024/25, 31/7319 • Local Transport Capital Block Funding (integrated transport and highways maintenance block), 2024/25, 31/7318 • Local Authority Bus Subsidy (Revenue) Grant, 2024/25, 31/7227. • Local Transport Capital Block Funding (Reallocated HS2 Resurfacing) 2024/25, 31/7320 • Disabled Facilities Grant 2024/25 (grant determination reference 31/7271) and additional allocation (grant determination 31/7605). 				

Amendments to Internal Audit Plan:

HR – Employee Relations Case Audit	Previously reported to June 2025 Audit & Governance Committee meeting: Addition to 2025/26 plan: The audit was requested by the Director of HR and Cultural Change, approved by the Executive Director of Resources. The audit will provide assurance over the systems and processes in place to manage Employee Relations Cases.
Schools HR	Deferred to Quarter 1 of 2026/27 plan: The audit has been deferred by 3 months from quarter 4 of 2025/26 to quarter 1 of the 2026/27 plan, due to internal audit resources, with delays to recruitment in quarter 1, a member of the team leaving in quarter 4 and additional days spent on recent red graded audits. The plan amendment has been approved by the Executive Director of Resources.
Capital Programme Delivery	Deferred to Quarter 1 of 2026/27 plan: The audit has been deferred by 3 months from quarter 4 of 2025/26 to quarter 1 of the 2026/27 plan, due to internal audit resources, with delays to recruitment in quarter 1, a member of the team leaving in quarter 4 and additional days spent on recent red graded audits. The plan amendment has been approved by the Executive Director of Resources.
Local Government Reorganisation	*The provision of internal audit days for LGR for 2025/26 are being used to develop a forward plan for Internal Audit from 2026/27 onwards which will meet the governance and assurance needs during LGR, which ensures continuity of assurance, supports transformation and the harmonising of governance, risk and control frameworks for the new unitary / unitary authorities. The internal audit plans for 2026/27 and 2027/28 leading to vesting day, will need to ensure continued assurance over business-as-usual operations whilst providing assurance on transitional activities.

APPENDIX 2 - EXECUTIVE SUMMARIES OF COMPLETED AUDITS

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

ContrOCC - IT Audit 2025/26

Overall conclusion on the system of internal control being maintained	A
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions	Current Status:							
				Implemented		Due not yet Actioned		Partially complete		Not yet due	
				P1	P2	P1	P2	P1	P2	P1	P2
User Authentication	G	0	0	-	-	-	-	-	-	-	-
Access Rights	R	0	5	-	-	-	-	-	-	-	5
System Administration	A	0	4	-	1	-	1	-	-	-	2
Audit Trails	G	0	0	-	-	-	-	-	-	-	-
Backups	G	0	0	-	-	-	-	-	-	-	-
System Support	G	0	0	-	-	-	-	-	-	-	-
TOTAL		0	9								

ContrOCC is used for financial management in Adult's and Children's social care and there are separate databases for each area. In Children's services, it was implemented in 2019 alongside the Liquidlogic Children's System and has recently replaced the LIFT system for education early years payments. The review has found that users are appropriately authenticated to the system, user activity is logged in an audit trail, there are regular backups of data and system support arrangements are in place. The areas of greatest risk are the management and configuration of user access rights and system administration in terms of managing user accounts, including privileged access. Controls in both areas should be improved.

User Authentication User access to the system is subject to appropriate levels of authentication. All users must enter a valid username and password and have a unique account on the system.

Access Rights User access within the system is defined using security roles and users are allocated one or more of these roles. A review of how access rights are currently setup and managed within the system has identified a number of risks, including a lack of documentation to ensure security roles are

fully understood, segregation of duties not being enforced in key role and user access not being subject to any formal management review.

System Administration System administration is performed by the IT Applications and Systems Support team within the IT Service and there are procedures in place for managing user accounts in terms of starters and leavers. New user accounts are requested using an online form and we found they are not always authorised at a management level and do not define the level of access required by the new user. Leaver accounts are disabled on a timely basis but users who move roles within the Council and may no longer require access to the system are not highlighted to the system administration team so that their account can be disabled. A small number of users were found to have system administrator access when it is no longer required for their role.

Audit Trails The system comes with a built-in audit trail that can be used to see all changes to data, including provider records, care packages and user security permissions. The audit trail shows what data was changed, when and by whom. Reports can also be produced from the audit trail for a specific user and/or activity over a defined period of time.

Backups There is a full daily backup of the ContrOCC database and log files are backed up every two hours to minimise the risk of any data loss and to reduce the recovery point objective. In addition to the daily backup of the database, there is a full monthly backup of the underlying server. Suitable retention policies are applied to the daily and monthly backups.

System Support There has been ongoing contractual negotiations with the supplier which have delayed contracts being renewed, although support and maintenance of systems have continued. An agreement has recently been reached that a new contract will be signed and as there is already an open management action for this from another audit, it has not been included here. A review of all open support calls with the supplier confirmed they are being progressed, and the latest version of the application is being used.

Key Themes and Root Causes – The issues highlighted in this report identify underlying root causes in **Processes, Management / Governance, Systems/Technology and People**. Specifically, there are areas with no defined processes or procedures, weak oversight over controls, limitations in the IT system in regard to access rights configuration and a lack of staff knowledge and understanding of system security roles and permissions.

HIAMS (Highways Infrastructure Asset System) – IT audit 2025/26

Overall conclusion on the system of internal control being maintained	A
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Manage	No of Priority 2 Manage	Current Status:			
				Implemented	Due not yet	Partially complete	Not yet due

		ment Actions	ment Actions			Actioned					
				P1	P2	P1	P2	P1	P2	P1	P2
User Authentication	R	1	2	-	-	-	-	1	2	-	-
Access Rights	A	0	2	-	-	-	-	-	2	-	-
System Administration	A	0	3	-	-	-	-	-	3	-	-
Audit Trails	A	0	1	-	-	-	-	-	1	-	-
Support and Maintenance	A	0	2	-	2	-	-	-	-	-	-
System Integration and New Technologies	A	0	1	-	-	-	-	-	1	-	-
TOTAL		1	11								

HIAMS is a key system within Highway Maintenance that is used to log requests for work relating to safety and non-safety checks and other scheduled activity. System administration is performed by a dedicated team within the service area. The review has identified areas where controls can be improved, such as the management of users and their access rights. The service area is looking to procure a new system, and a specification of requirements is being developed. This review has highlighted areas that should be incorporated within the specification of the new system, and we are planning some further work in this area later in the year.

User Authentication User access is subject to authentication and single sign-on (SSO) is used, where OCC users are authenticated using their Windows network credentials. External users also have access to the system and they login using a local account and entering a valid username and password. It was confirmed that these passwords comply with the corporate password policy. There is no evidence that user sessions timeout after a period of inactivity or that local system accounts lockout after a specified number of invalid logins. Implementing these controls will improve system security by strengthening the login process.

Access Rights User access rights within the system are defined using groups. There are a number of groups, and each has a set of permissions associated with it. A user can only be a member of one group at a time. Groups are not documented to show what access rights they provide and whilst there is currently an ongoing review of user access and rights, it is the first to be performed since the system was implemented in 2018. An annual review of user access should be undertaken to ensure all access is correct and valid for a person's role.

System Administration System administration in terms of managing user access to HIAMS is performed by a dedicated Application and Data

Management team within Highway Maintenance. We found there are no documented procedures for managing user accounts and hence there is a risk that consistent processes may not always be followed by members of the team when dealing with starters, leavers and movers. As SSO is used, access for OCC leavers is revoked once their network account is disabled by the IT Service as part of the corporate IT leavers process. There is no procedure for identifying and disabling redundant accounts belonging to external users and hence a risk that such accounts may be used for unauthorised access. There are also an excessive number of users with system administrator access, whereas this should be limited to the Application and Data Management team to ensure privileged access is not misused.

Audit Trails There is an audit trail in HIAMS for defects, which shows who logged them and any changes made. There are no other audit trails at an application level, although there could be some logging of user activity in the back-end database and details of this should be confirmed with the supplier.

Support and Maintenance There is a support and maintenance contract for the system, which is valid until March 2028. The Application and Data Management team seek supplier support when they cannot resolve a system issue or error themselves and have found the supplier to be responsive when dealing with such requests. A review of the contract for the system found it references aspects of security which are not supported with any evidence from the supplier. The contract does not include any reference to the security of the cloud environment or details of data backups. These areas should be followed up with the supplier to ensure there are appropriate security and safeguards in place over the system and data.

System Integration and New Technologies There is an up-to-date system map of all interfaces between HIAMS and other IT applications. Details about each individual interface are not documented to show what they do and how they work, which can present key person dependencies and a risk that IT processes are not fully understood when developing a specification for a new system. The service area are reviewing opportunities for using Artificial Intelligence (AI) and have done some work with the Customer Service Centre and are also looking at defect inspections. The Head of Highways chairs the national Local Council Road Innovation Group, which is useful for seeing and learning from other council's experiences of implementing AI.

Key Themes and Root Causes – The issues highlighted in this report identify underlying root causes in **Processes, Management / Governance** and **Systems / Technology**. Specifically, there are gaps in the definition of key processes and procedures, weak oversight to provide assurance that security controls are effective and potential limitations in the IT system in regard to audit trails.

Absence Recording 2025/26

Overall conclusion on the system of internal control being maintained	A
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions	Current Status:							
				Implemented		Due not yet Actioned		Partially complete		Not yet due	
		P1	P2	P1	P2	P1	P2	P1	P2	P1	P2
Policies and Procedures	A	0	9	-	-	-	-	-	-	-	9
Compliance	A	0	11	-	-	-	-	-	-	-	11
Performance Monitoring and Reporting	A	0	4	-	-	-	-	-	-	-	4
TOTAL		0	24								

The Council's internal policies and guidance require all annual leave and sickness absences to be recorded on the self-service system. The use of this system allows centralised monitoring of absences across services, enabling management to monitor how employees are using their annual leave entitlements throughout the year and the identification of patterns of absences: from identifying trends within specific areas of the Council, to individual-level insights that support early intervention. The effectiveness of this monitoring relies on the accuracy and completeness of the data recorded in the system.

Overall, sample testing found that annual leave and sickness absences are being correctly recorded, with exceptions noted where either the absence had not been recorded or had been recorded with incorrect details. Some areas of guidance were found to contain gaps or conflicting information, and a number of requirements listed within were also found to be incompatible with the functionality of the self-service system, often resulting in teams adopting offline workarounds.

Policies and Procedures – All internal policies and guidance relating to the recording of annual leave, sickness absences, flexi leave, and TOIL were reviewed. This identified gaps including a lack of consistency in the guidance for the carry-forward of annual leave for pro-rata employees; a lack of information for managers about how to monitor annual leave on the system; and outdated guidance regarding the method of recording of flexi leave and TOIL. For sickness absences, there was found to be a lack of accessibility and linkage to the Supporting Attendance Toolkit, which contains an instruction to record return-to-work conversations in ePF not contained elsewhere. Additionally, whilst it was noted that the shift to managers recording sickness absence start dates had improved the timeliness of recording (this was previously the responsibility of the individual employee), there was found to be conflicting system guidance that could create confusion over responsibility.

Compliance – In relation to annual leave, targeted sampling where low levels of annual leave had been observed reviewed 10 teams and 15 individuals, identifying three instances (relating to one individual) where the annual leave had not been recorded. A total of seven teams and five individuals confirmed that their annual leave was recorded offline, due to their working patterns not being supported by the leave-booking system. Additionally, there were found to be seven instances where annual leave taken and recorded in the employee's Outlook Calendar (from a sample of 100) had not been accurately recorded on the system, increasing the risk of staff taking more leave than they are entitled to.

The Council's internal guidance requires that the carry-forward of annual leave is limited to the equivalent of an employee's weekly working hours and is to be used by 31st May. However, the process was found to be reliant on managers entering the correct information as the system does not impose these restrictions. Of the employees who carried forward leave from 2024/25 to 2025/26, 6.4% had a carry-forward total of greater than one week. A total of 38.6% employees and 12.8% of distinct teams were identified as carrying forward leave using a deadline that was not 31st May. A total of four out of five teams sample tested confirmed that this was due to error. The remaining team manager confirmed that this non-typical date had been chosen deliberately due to staff shortages.

The audit also reviewed the processes used for the recording of flexi leave and Time Off in Lieu (TOIL), noting that a historic issue with the My Timesheet recording system had prompted the widespread return to use of offline systems for recording flexi hours. Although this system issue has since been resolved, the usage of it to record flexi leave since was observed to be very low, resulting in an inconsistent approach to managing flexi leave across the Council. TOIL was also found to be managed on an individual team basis.

Of those using the My Timesheet Recording system, there were 821 flexi days recorded by 115 employees from April 2024 to July 2025. This included 86 instances of non-compliance with the policy requirement that only up to one flexi day should be taken in a calendar month.

In relation to sickness absence, of ten teams with low levels of sickness absences sample tested, four teams confirmed the amount was incorrect and at least five absences were unrecorded, impacting a manager's ability to effectively monitor sickness absence and trigger points. There were also found to be 45 instances where consecutive one day sickness absences had been recorded (which can impact on sickness triggers), of which all ten-sample tested were confirmed to be the same illness, so should have been recorded as one sickness absence.

Performance Monitoring and Reporting – There are two dashboards that have been developed by HR to enable systematic monitoring of sickness absences recorded on the system: one published to the intranet quarterly that includes high level absence data, and a Power BI dashboard available to HR staff that contains drilldown functionality to the level of individuals. Both dashboards offer strong coverage and trend analysis, with Strategic People Partners confirming consistent engagement. It was noted that linkage to the exception flagging completed on a monthly basis by the Employee Relations

Team could improve the accuracy of the Power BI dashboard, where inaccuracies were found to be distorting the trend data.

There was also noted to be a historic ad hoc reporting arrangement in place for HR Business Partners to monitor annual leave balances annually, but the HR restructure has resulted in some lack of clarity about which types of reporting will be continuing, which could cause a gap in compliance monitoring. This is further substantiated by concerns raised by Strategic People Partners that there is an over-reliance on HR by line managers in regard to the responsibility of monitoring absences.

Key Themes and Root Causes – The issues highlighted in this report identify underlying root causes in both **Technology** and **Management / Governance**. Specifically, the system in use for the recording of absences presents limitations in functionality that are incompatible with some internal policy requirements. These system constraints have been enabled and sustained by gaps in the definition and consistent application of key processes for absence recording.

Safeguarding Transport 2025/26

Scheduled for review at the 25 March 2026 Audit Working Group

Overall conclusion on the system of internal control being maintained	R
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions	Current Status:							
				Implemented		Due not yet Actioned		Partially complete		Not yet due	
P1	P2	P1	P2	P1	P2	P1	P2	P1	P2	P1	P2
User Authentication	A	0	5	-	-	-	-	-	-	-	5
Access Rights	A	0	7	-	-	-	-	-	-	-	7
System Administration	R	0	9	-	-	-	-	-	-	-	9
Audit Trails	R	0	5	-	-	-	-	-	-	-	5
Backups	R	0	2	-	-	-	-	-	-	-	2
TOTAL		0	28								

Internal Audits focusing on Supported Transport Safeguarding have previously been undertaken in 2014/15 and 2017/18. The first audit, graded Red, identified significant weaknesses, and assurance could not be provided that there were adequate controls in place to manage external transport

arrangements. Following this audit, significant changes were made within the service to improve safeguarding controls, such as the implementation of Risk Assessments and Passenger Passports, and improved DBS, vetting, and training requirements. The follow up audit carried out in 2017/18 was graded Amber, recognising the impact these additional controls had on the safeguarding arrangements in place, but noting further areas for improvement to strengthen their effectiveness.

The Internal Audit Counter Fraud Team have undertaken several investigations which have included review of potential financial irregularities by external providers. These investigations identified control weaknesses and management actions were agreed to address these in an overall investigation report in March 2025. At the time of the audit, three of the 19 agreed actions were reported as fully implemented, with the remaining in progress. These continue to be monitored for implementation.

Within Fleet and Transport Services, there has been a recent change of leadership, who had already identified a number of issues and weaknesses found within this audit. As a result of this, there is ongoing work as part of the Supported Travel Improvement Programme to fundamentally strengthen the internal governance and control framework, alongside a service review and redesign. The new Head of Service has worked collaboratively with Internal Audit throughout this process, highlighting areas of concern and potential control weaknesses, and ensuring a robust management action plan is agreed within this report which coordinates with the improvement work already underway.

It is recognised that at the time of the audit, the service was not operating as business as usual, with various teams and officers pulled to cover the commissioning side of operations. As such, usual responsibilities could not be covered, having a direct impact on performance and operational effectiveness.

The audit found weaknesses and issues across the risk areas reviewed, specifically in contract management, quality assurance, and commissioning processes. While onboarding of new providers to the Dynamic Purchasing System (DPS) was found to be operating effectively, ongoing monitoring of contract requirements was inconsistent, with lapses in record-keeping and enforcement. Data integrity issues have led to unreliable records of transport arrangements.

The audit identified inefficiencies in the referral for, and creation and review of Passenger Passports and Risk Assessments, with delays and outdated information reducing their effectiveness. Management information and performance monitoring arrangements were found to be inconsistent, with key performance indicators not always actively reported on or monitored. Complaints management processes were also found to be inconsistent, with poor record-keeping and incomplete documentation, reducing transparency and accountability.

Key Themes and Root Causes - The system of internal control across all risk areas reviewed was found to be weak with risks not being effectively managed. The issues highlighted in this report identify underlying root causes in each of

the areas of: **Culture / Environment, Processes, People, Systems / Technology, and Management / Governance.**

IT Asset Management 25/26

Overall conclusion on the system of internal control being maintained	A
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions	Current Status:							
				Implemented		Due not yet Actioned		Partially complete		Not yet due	
				P1	P2	P1	P2	P1	P2	P1	P2
Corporate Policy	A	0	1	-	-	-	-	-	-	-	1
Procurement	G	0	1	-	-	-	-	-	-	-	1
Inventory Management	G	0	1	-	-	-	-	-	-	-	1
Hardware Disposal	A	0	3	-	-	-	-	-	-	-	3
TOTAL		0	6								

The IT Service are responsible for managing all end-user equipment, such as laptop computers, mobile devices and peripherals. There are good controls over the procurement of IT assets and inventory management. There are documented corporate policies on the management of IT assets and the disposal of assets, although we found they have not been reviewed in accordance with their stipulated review dates and are thus out-of-date. The disposal of IT assets is undertaken by a third-party and controls can be improved by confirming that all equipment collected for disposal is fully processed, including ensuring all data bearing items are securely wiped or physically destroyed. The specific obligations of the disposal company should also be added to the formal contract for the service.

The previous audit of this area was completed in 2020/21 and all agreed management actions have been implemented or are no longer applicable.

Corporate Policy - There is a documented IT Asset Management Policy, which covers key areas such as procurement, asset logging, compliance and equipment returns. The policy also has roles and responsibilities for ITID, service areas and line managers. We found the policy has not been reviewed since it was published in 2023 and some aspects are now out-of-date.

Procurement - All end user devices, such as laptops and mobile devices, are procured centrally by the IT Service and from a supplier who was awarded a contract following a full competitive tender in 2023. We sample tested recent

purchases of equipment and found they had been appropriately authorised, both technically and financially. There is a procedure for managing requests for non-standard equipment which we confirmed is being appropriately followed. All new equipment is delivered to the Depot and details of assets are added to the inventory immediately. We sample tested a recent delivery of laptops and mobile devices and confirmed their details have been logged on the inventory. New equipment is stored within a room at the Depot and whilst access restrictions are in place, there is scope for improving the security of this area to reduce the risk of any equipment going missing.

Inventory Management - An IT hardware inventory is maintained on the service desk system and includes sufficient details about each asset, including asset number, make, model and current user. When equipment is re-issued, details of all previous users is maintained. Equipment is held in stock at the Depot, especially during hardware refresh periods, but spot checks are not performed to confirm stock levels against inventory and hence missing equipment may not be identified on a timely basis.

There are procedures in place for collecting equipment from leavers which have recently been bolstered by the IT team. The leaver form initiates the process of collecting equipment and the new process involves email reminders being sent to line managers following the leave date. If equipment is not returned to the IT Service after four email reminders, the service area are charged for the device. This new process has improved the return rate of equipment to the IT Service. A sample test of recent leavers confirmed their equipment had been returned.

Hardware Disposal - There is a formal Disposal of ICT Equipment Policy, which was approved in 2023 but missed its stipulated review in May 2024 and has not been reviewed since. A new contract has been put in place for disposal services with the supplier of end user devices. The disposal service is provided by one of their partner's and whilst the contract references "secure and compliant disposal services", it does not place any specific obligations or requirements on the supplier. The new supplier has only recently carried out its first collection and has not yet issued any disposal reports. A review of previous collections under the old supplier found that disposal reports are not reconciled to the list of assets collected by the supplier to confirm all assets, especially data bearing items, are fully processed and securely wiped.

Key Themes and Root Causes – The issues highlighted in this report identify underlying root causes in both **Processes** and **Management / Governance**. Processes are either not defined, out-of-date or are not being followed and there are areas where there is inadequate ownership or oversight of security controls.

Childrens Transformation Programme 25/26

Overall conclusion on the system of internal control being maintained	A
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions	Current Status:							
				Implemented		Due not yet Actioned		Partially complete		Not yet due	
		P1	P2	P1	P2	P1	P2	P1	P2	P1	P2
Governance, Roles and Responsibilities	G	0	0	-	-	-	-	-	-	-	-
Programme Management	A	0	1	-	-	-	-	-	-	-	1
Performance Management	G	0	0	-	-	-	-	-	-	-	-
Financial Management	A	0	4	-	-	-	-	-	-	-	4
TOTAL		0	5								

The audit found that the Children's Transformation portfolio is supported by a clear governance framework, with well-defined roles, responsibilities, and is aligned with strategic objectives. Programme management practices have been established which include standardised methodologies and tools, although some inconsistencies were noted in the way in which risk management is documented. Performance management was found to be working well, with meaningful metrics and reporting structures in place, although there are some areas where these capabilities are still being developed.

The audit noted that financial management is improving, particularly within Children's Social Care, with new strategies, tools, and training introduced, though it is acknowledged that further work is needed to embed these improvements across the service and ensure consistent financial management, monitoring and reporting.

A: Governance, Roles and Responsibilities – The audit has identified that there is a clear governance framework in place for management of the Children's Transformation portfolio. Projects, programmes and themes clearly align with the CEF (Children Education Families) 4-year business plan. The objectives of the transformation portfolio and the constituent programmes and SEND themes are clearly stated.

The CEF Transformation team has developed documented procedures and project templates which promote consistency and continuity as well as supporting good practice by including various aspects of programme management within the documentation.

Roles and responsibilities, including escalation routes, are clearly defined within the terms of reference and project initiation documents.

B: Programme Management – The CEF Transformation team uses a defined project management methodology and standard documentation to encourage a consistent approach which encompasses key aspects of good programme management disciplines. This includes a programme workbook which is used as a key tool by the project and programme managers to monitor delivery of programme objectives and for the production of performance information and reporting to the programme boards. The approach to project management aims to be proportionate to the size and complexity of each project. The audit noted some inconsistencies in the way in which the project workbook is being used which included the way in which risk management is being documented. There were examples where the management of risks was not recorded clearly or consistently. For example, some programme workbooks were not using the risk & issue log, issues were also noted with the risk scoring, and with the capture of mitigations. In some cases the mitigations and post-mitigation scores were empty even where the original risk was rated red. Therefore, it is not clear from the documentation whether risks are being appropriately managed.

C: Performance Management – Several established programmes have robust performance management arrangements in place, with key performance indicators being actively monitored and reported on. Examples include the Family Hubs, Family Safeguarding Approach and Fostering Improvement programmes. There is clear evidence that the metrics used are regularly reviewed, with ongoing discussions around data availability and the identification of additional indicators that would enhance future reporting.

Some programmes are still developing their performance management reporting, and there is evidence that this remains a high priority focus. For instance, the Supported Accommodation programme is at an early development / design stage of performance management reporting. The SEND transformation programme has KPI reporting already in place and a dedicated resource developing PowerBi dashboards across the programme for different audiences. The SEND Improvement & Assurance Board receives a high level overview whereas the SEND Partnership Delivery Group is provided with more detailed operational insights. These are good examples of meaningful performance information being measured and reported, to facilitate the achievement of the objectives of the programme. There is also evidence of continued review of the metrics to ensure that the data is meaningful and useful.

D: Financial Management – Due to ongoing financial challenges and pressures within the Service, there has been a recognised need to review financial management arrangements and make improvements where necessary to ensure that all those with budget responsibilities are clear on their financial roles, responsibilities and processes and can manage their budgets effectively.

A number of improvements have focussed on Children's Social Care. It is recognised that further improvements are required to fully embed these and extend financial management improvements across the Service including Education.

To support improved financial management there has been a reintroduction of the finance clinics. These have been reported to have been successfully implemented for some time across Children's Social Care; and have recently commenced within Education.

The CEF Business Plan 2025-2029 includes a list of improvements under the subheading Finance within the slides of "Corporate enablers & dependencies" (this includes delivering against savings targets, developing robust skills in budget management, reviewing and clarifying budget codes and development of PowerBi dashboards to include financial KPIs). Whilst the Strategic Finance Business Partner has articulated, to Internal Audit, the work in progress to address each of these improvements, there is limited regular monitoring and reporting to provide assurance to Children's senior management on progress being made.

A CEF Finance Manual has been written and published within the Service which focusses on financial responsibilities of cost centre managers and accountable officers. Whilst this is a positive step in strengthening financial governance, the manual could be further enhanced by incorporating guidance or sign posting to related areas including contract management responsibilities and preferred procurement routes.

Cost centres have been reviewed and rationalised to align them with the organisational structure. There is also an ongoing review through the organisational redesign of the accuracy of the establishment data against service budgets. There have been challenges with the data which include historic issues such as unfunded posts. By aligning establishment data and budgets, the service will be able to more effectively manage their budgets.

Financial training has been delivered from a combination of sources within the Service and Finance. However, this has not been fully embedded across the Service and future arrangements for delivery have not yet been confirmed to ensure that managers have sufficient financial management training and support to ensure good financial management practices.

Key Themes and Root Causes – The issues highlighted in this report identify underlying root causes of both **Processes** and **People**. Specifically, the application of processes in relation to programme / project risk management and, in relation to People, the support available to ensure good financial management skills and competencies.

Missing Children 25/26

Overall conclusion on the system of internal control being maintained	A
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions	Current Status:							
				Implemented		Due not yet Actioned		Partially complete		Not yet due	
		P1	P2	P1	P2	P1	P2	P1	P2	P1	P2
Policies, Procedures and Processes	A	0	3	-	-	-	-	-	-	-	3
Risk Assessment and Planning	A	0	2	-	-	-	-	-	-	-	2
Children Missing / Away from Care Without Authorisation	A	0	3	-	-	-	-	-	-	-	3
Return Interviews and Additional Safeguards	A	0	3	-	-	-	-	-	-	-	3
Performance Information and Monitoring	G	0	0	-	-	-	-	-	-	-	-
TOTAL		0	11								

Section 13 of the Children Act 2004 requires local authorities and other named statutory partners to make arrangements to ensure that their functions are discharged with a view to safeguarding and promoting the welfare of children. This includes planning to prevent children from going missing and to protect them when they do. Missing Children are defined by the police as 'the whereabouts of the child/young person cannot be established and where the circumstances are out of character or they may be the subject of crime, at risk of harm to themselves or others'. The missing children process is managed within Children's Social Care, with missing episodes allocated to an assigned social worker from the child's allocated team.

Overall, the audit found strong and effective processes in place to manage missing children, supported by well established performance reporting to provide management with weekly oversight of children that are / have been missing. Additionally, the Missing Children Exploitation Panel was found to be adequately addressing the needs of children identified as 'high risk'. Although risk management and planning processes are well-integrated, further improvement is required to ensure consistency. The Return Home Interview (RHI) process was also found to require improvement to ensure timely

completion, adherence to guidance, and that updates are reflected promptly on LCS.

Policies, Procedures and Processes: Guidance covering key processes and roles / responsibilities of the Council and partner agencies was found to be in place and accessible to staff, however two key pieces of guidance were found to contain overlapping information making it unclear for staff which guidance to refer to. Additionally, there were requirements within one piece of guidance which were not reflected in the other, meaning parts of the process could be missed if one piece is read in isolation. It was also noted that while one piece had been reviewed in January 2025, the other was dated April 2023, and neither had documented planned dates for review.

These weaknesses had already been identified by the service, with work underway to review, update, and streamline the guidance available to staff.

Risk Assessment and Planning: The majority of children's care plans reviewed appropriately documented the risk of going missing, with one exception noted in which this risk had not been clearly assessed or documented.

When potential risk is identified, a risk management plan is expected to be completed and reviewed as part of the care planning process. This is usually done via a Multi-Agency Risk Assessment and Management Plan (MARAMP); however, variations were found to have occurred in this process, including a case where a MARAMP was not carried out (despite the care plan noting the risk of going missing), and several cases where there was no evidence of the child's presence during the MARAMP (considered best practice). A case was also noted in which the MARAMP had not been reviewed within the expected timescale.

Pre-placement planning meetings should take place prior to, or within 72 hours of, a placement starting, and should include review of any known risks, including going missing. This was found to be taking place for the majority of cases, with one exception noted in which a pre-placement planning meeting could not be found on the child's LCS account, and another where the meeting notes did not fully document discussions held around the risk of going missing and appropriate measures to be put in place to address this, other than that if the child were to, it would be reported by the carer. The child, who had had 11 missing episodes prior to the placement starting, clearly had the risk documented in their care plan and in a MARAMP (although as noted above, this was overdue review at the time of testing).

Weaknesses were also noted in the saving of an up-to-date photo to a child's LCS account (where the child is known to Children's Social Care), which is required in line with guidance to facilitate safe identification and recovery. From the sample reviewed, one did not have a photo, and another had a photo from 2022.

Children Missing / Away from Care Without Authorisation: The audit observed that while various definitions are used by the DfE and Thames Valley Police to categorise the status of a child (such as 'missing', 'absent', and 'away from placement without authorisation'), in practice all episodes are categorised as 'missing' from the point at which the notification is received from the police.

There is no differentiation in process or LCS forms depending on the status of the child, thereby classing and reporting, all as missing when other terminology may have been more appropriate.

In terms of action taken upon receipt of a missing notification, the majority of missing episodes and reports were found to have started promptly on LCS, however some exceptions were noted where there had been a delay. All missing episodes were assigned to the correct team / social worker, and strategy meetings and referral to the Missing and Exploitation Panel were well documented, covered appropriate areas, and were in line with relevant guidance.

There is a clear process for escalating concerns when a child has been missing beyond an established timeframe or is at risk of significant harm - via a 'Need to Know' (NTK) notification. However, testing found that NTK documentation was not consistently saved to the child's LCS record.

Return Interviews and Additional Safeguards: Testing identified that while there is a clear process in place for Return Home Interviews (RHIs), these were not consistently completed within the statutory timeframe of within 72 hours of the missing child / young person being found. Exceptions were also noted regarding the quality of the documented interviews, with some holding little detail as to the discussions held.

Updates to LCS records with RHI information were not consistently made on a timely basis, although it was positive to note that the RHIs were signed off appropriately and follow up actions were taken where required. This includes instances in which an interview could not be completed, which require additional sign off by a Service Manager.

Performance Information and Monitoring: Weekly reporting is produced from LCS covering key components of the missing children process such as number of children who have gone missing, volume of missing episodes, and RHIs exceeding 72 hours. Additional reports are provided alongside to this to provide detail on the exceptions reported.

There are periodic meetings in the form 'DQIPP' where Service Managers and Seniors in Children's Social Care meet to share information on trends / themes and lessons learned. Recently, themes have been identified leading a piece of work on the consistency of RHIs. These themes are now being considered in the Missing Children Exploitation Panel.

Testing confirmed the annual submission of figures to the DfE is carried out as required and checks are run on the validity of the data produced. As previously acknowledged within this report, data doesn't differentiate between 'missing' and 'absent' therefore reporting assumes all episodes are 'missing'.

Key Themes and Root Causes – The issues highlighted in this report identify underlying root causes in both **Processes** and **People**. Specifically, guidance was found to be duplicated with minor differences and omissions, making it unclear which process should be followed. Additionally, some procedures were not routinely adhered to (for example completion of Return Home Interviews within the statutory timeframe, and clear documentation of how risk had been assessed within a child's records).

School Attendance 2025/26

Overall conclusion on the system of internal control being maintained	R
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions	Current Status:							
				Implemented		Due not yet Actioned		Partially complete		Not yet due	
				P1	P2	P1	P2	P1	P2	P1	P2
Policies and Procedures	A	0	3	-	-	-	-	-	-	-	3
Case Management and Recording	R	0	14	-	1	-	-	-	-	-	13
Legal and Regulatory Compliance	A	0	7	-	2	-	-	-	-	-	5
Management Oversight and Performance Monitoring	R	2	0	-	-	-	-	-	-	2	-
TOTAL		2	24								

The Department for Education (DfE) emphasises that every child, regardless of their circumstances, deserves an efficient, full-time education suitable to their age, ability, aptitude, and any special educational needs. Under Section 19 of the Education Act 1996, local authorities must ensure that children of compulsory school age receive this education. To fulfil these duties, our Council performs various functions, such as monitoring attendance, supporting schools and families to improve attendance rates, issuing School Attendance Orders, and, if necessary, taking legal action against parents/carers, including issuing fines or prosecuting them once all support avenues have been exhausted.

The audit has identified several weaknesses across the reviewed risk areas. These include system capability and compatibility, data integrity issues, outdated and incomplete internal guidance regarding the DfE's "Working Together to Improve School Attendance" paper, and delays and inconsistencies in managing individual children's cases. There are also issues with the timely escalation for legal action where appropriate, the effective management of issuing Penalty Notices as a last resort, monitoring payments, and some instances of poorly documented decision-making and actions taken. These issues are further compounded by a lack of oversight and performance reporting processes, which are crucial in providing assurance over the timeliness and effectiveness of case management activities.

Key Themes and Root Causes – The issues highlighted in this report identify underlying root causes related to **Systems/ Technology, Management/ Governance** and **People**. Specifically, system capability and compatibility have resulted in the absence of routine performance monitoring, which has led to a lack of oversight around the timeliness and effectiveness of case management activity. It was also found that documentation to support action taken is not always consistently recorded against pupils' accounts.

APPENDIX 3 – As at 11/12/2025 - all audits with outstanding open actions (excludes audits where full implementation reported):

Report Title	ACTIONS						Not Due for Implementation	Not Implemented	Partially Implemented
	P1 & P2 Actions			IMPLEMENTED					
	1	2	Total	1	2	Total			
OCC AI 24/25	-	13	13	-	5	5	-	-	8
OCC Absence Recording 25/26	-	24	24	-	-	-	24	-	-
OCC Childrens DP 24/25	-	35	35	-	25	25	-	-	10
OCC Childrens Placements CM & QA 23/24	-	17	17	-	16	16	-	-	1
OCC Childrens Transformation 2526	-	5	5	-	-	-	5	-	-
OCC Client Charging 24/25	-	11	11	-	10	10	-	-	1
OCC Climate Audit 22/23	5	12	17	5	11	16	-	-	1
OCC Corporate Website 24/25	-	8	8	-	7	7	-	-	1
OCC Data Mgmt 2425	-	10	10	-	4	4	-	-	6
OCC Disaster Recovery 25/26	-	8	8	-	-	-	-	-	2
OCC Educ IT System – processes 22/23	-	5	5	-	3	3	-	-	2
OCC EHCP Top Ups 24/25	-	12	12	-	7	7	-	-	5
OCC Employee Feedback 2425	1	7	8	-	1	1	-	3	4
OCC Feeder Systems 23/24	-	4	4	-	3	3	-	-	1
OCC Fleet Mgmt Compliance 21/22	-	5	5	-	4	4	-	-	1
OCC FM Follow up 22/23	-	13	13	-	11	11	-	-	2
OCC FOI 25/26	-	10	10	-	6	6	-	-	4
OCC Health Payments 23/24	1	7	8	1	5	6	-	-	2
OCC HIAMS 25/26	1	11	12	-	2	2	-	-	10
OCC HIF1 25/26	-	2	2	-	-	-	-	2	-
OCC Highways Contract 24/25	-	2	2	-	1	1	-	-	1
OCC Identity and Access Mgmt 24/25	-	11	11	-	7	7	-	-	4
OCC IROs 24/25	-	14	14	-	7	7	-	-	7
OCC IT Application ContrOCC 25/26	-	9	9	-	1	1	7	1	-
OCC IT Audit GOSS 25/26	-	7	7	-	6	6	-	-	1

OCC IT Asset Management 2526	-	6	6	-	-	-	6	-	-
OCC LAS IT Application 22/23	-	9	9	-	8	8	-	-	1
OCC Leases 22/23	-	10	10	-	8	8	-	-	2
OCC Local Transport Plan 23/24	1	8	9	1	6	7	-	-	2
OCC M365 Cloud 22/23	-	11	11	-	10	10	-	-	1
OCC Mandatory Training 24/25	-	5	5	-	-	-	-	-	5
OCC Multiply 24/25	-	3	3	-	-	-	-	3	-
OCC P Cards 23/24	1	20	21	1	18	19	-	-	2
OCC Payments to Providers 23/24	2	7	9	1	7	8	-	-	1
OCC Pensions Admin 24/25	-	6	6	-	4	4	1	-	1
OCC Physical Security Systems 23/24	1	13	14	1	12	13	-	-	1
OCC Planning Application Appeals 24/25	-	8	8	-	2	2	-	5	1
OCC Prop Strategy Implementation 24/25	-	1	1	-	-	-	-	-	1
OCC Property Health and Safety 23/24	2	28	30	1	24	25	-	-	5
OCC Property Strategy Implementation 24/25	-	1	1	-	-	-	-	-	1
OCC Risk Management 20/21	-	14	14	-	13	13	-	-	1
OCC Risk Mgmt 23/24	-	8	8	-	7	7	-	-	1
OCC S106 21/22	-	6	6	-	2	2	-	-	4
OCC S106 IT System 23/24	-	6	6	-	2	2	-	-	4
OCC S151 Schools Assurance 24/25	2	20	22	1	3	4	7	4	7
OCC Safeguarding Transport 25/26	-	28	28	-	-	-	28	-	-
OCC Strategic Contract Mgmt 24/25	2	10	12	2	3	5	-	-	7
OCC Street Works & Parking Income 24/25	-	11	11	-	8	8	-	-	3
OCC Supported Transport 23/24	6	9	15	6	7	13	-	-	2
OCC Utilities 2425	-	3	3	-	2	2	-	-	1
OCC Void Management 24/25	-	14	14	-	3	3	-	-	11
OCC YPSA 22/23	1	18	19	1	17	18	-	-	1
TOTAL	26	545	571	21	308	329	78	20	144

APPENDIX 4 – Internal Audit Definitions.

Overall Conclusion Gradings:

Red - The system of internal control is weak, and risks are not being effectively managed. The system is open to the risk of significant error or abuse. Significant action is required to improve controls.

Amber - There is generally a good system of internal control in place, and the majority of risks are being effectively managed. However, some action is required to improve controls.

Green - There is a strong system of internal control in place and risks are being effectively managed. Some minor action may be required to improve controls.

Management Action Priorities:

Priority 1 – Major issue or exposure to a significant risk that requires immediate action or the attention of Senior Management.

Priority 2 – Significant issue that requires prompt action and improvement by the local manager.

Supplementary Issue – Minor issues requiring action to improve performance or overall system of control.

Root cause categories and descriptions:

PROCESSES - Inefficiencies or gaps in workflows or procedures. Are processes clearly defined, documented and communicated and followed effectively. Are the processes efficient and effective.

PEOPLE - Skills gaps, unclear responsibilities, or cultural issues. Examines the human element, individual skills, training, competency, experience of staff, adherence to procedures, workload, communication and supervision.

SYSTEMS / TECHNOLOGY - System limitations, poor integration, or lack of automation. Assesses the technology and systems used, design, implementation and maintenance, suitability for intended purpose.

MANAGEMENT / GOVERNANCE - Weak oversight, policy non-compliance, or lack of accountability. Examines whether management is providing adequate direction, resources and oversight and if governance structures are effective. Willingness to acknowledge or learn from mistakes.

CULTURE/ENVIRONMENT - Market conditions, regulatory changes, or third-party dependencies. Looking at the broader context, including physical environment, workplace culture, external factors.

Agenda Item 6

AUDIT & GOVERNANCE COMMITTEE – 14 JANUARY 2026

TREASURY MANAGEMENT STRATEGY & ANNUAL INVESTMENT STRATEGY 2026/27

Report by the 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 2026/27 outlines the council's strategic objectives in terms of its debt and investment management for the financial year 2026/27.
3. The forecast average cash balance for 2026/27 is £345m. The council will maintain its investment in strategic pooled funds with a purchase value of £88m (25%). The remaining £257m (75%) 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 3.75 or 3.50%, reducing to 3.25% by the end of the financial year.
5. UK Government Gilt yields are forecast to fall from 4.80% to 3.80% over the medium term.
6. As the council's Capital Financing Requirement (CFR) is proposed to increase 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 2025/26 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
2026/27	£150m	£150m
2027/28	£140m	£100m
2028/29	£100m	£80m
2029/30	£100m	£80m
2030/31	n/a	£80m

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 2026/27 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 2026/27 financial year comprises:

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

	Principal £m	Average Rate %
Opening External Debt Balance		
Public Works Loans Board (PWLB)	239.383	4.470
Lender's Option Borrower's Options (LOBOs) ²	20.000	4.029
Money Market Loans	5.500	3.990
TOTAL EXTERNAL DEBT	264.383	
2026/27 Average Forecast Cash Balance		
Average In-House Cash	256.872	
Average Externally Managed	88.059	
TOTAL INVESTMENTS	344.931	

15. The average forecast cash balance for 2026/27 is comprised of the following:

	Average Balance £m
Earmarked Reserves	242.400
Unusable Dedicated Schools Grant Reserve	-160.000
Capital and Developer Contributions	303.660
General & School Balances	39.620
Cashflow and Working Capital Adjustments	201.434
Internal Borrowing	-291.923
Provisions and Deferred Income	9.740
TOTAL	344.931

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 2026/27 and over the medium term. TMST forecast that the bank rate will start the year at 3.75 or 3.50% and reduce further to 3.25% by the end of 2026/27. Bank rate is then forecast to remain at 3.25% for the medium term, with significant risks to the downside.

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:

2026/27	4.00%
2027/28	3.50%
2028/29 - 2031/31	3.50%

² See paragraphs 28 & 29 for detail

Borrowing Strategy

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 6.00% in December 2025 to 4.60-5.60% 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 £83m 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 2026/27. The exception to this is the exploration of issuing a new green bond.
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 2025 LOBOs represent 7.6% of the total external debt. This compares to 16.6% of the total external debt in 2025/26. 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 2026/27 remains at 20%.

29. The council has two £5m LOBOs with call options in 2026/27, 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:

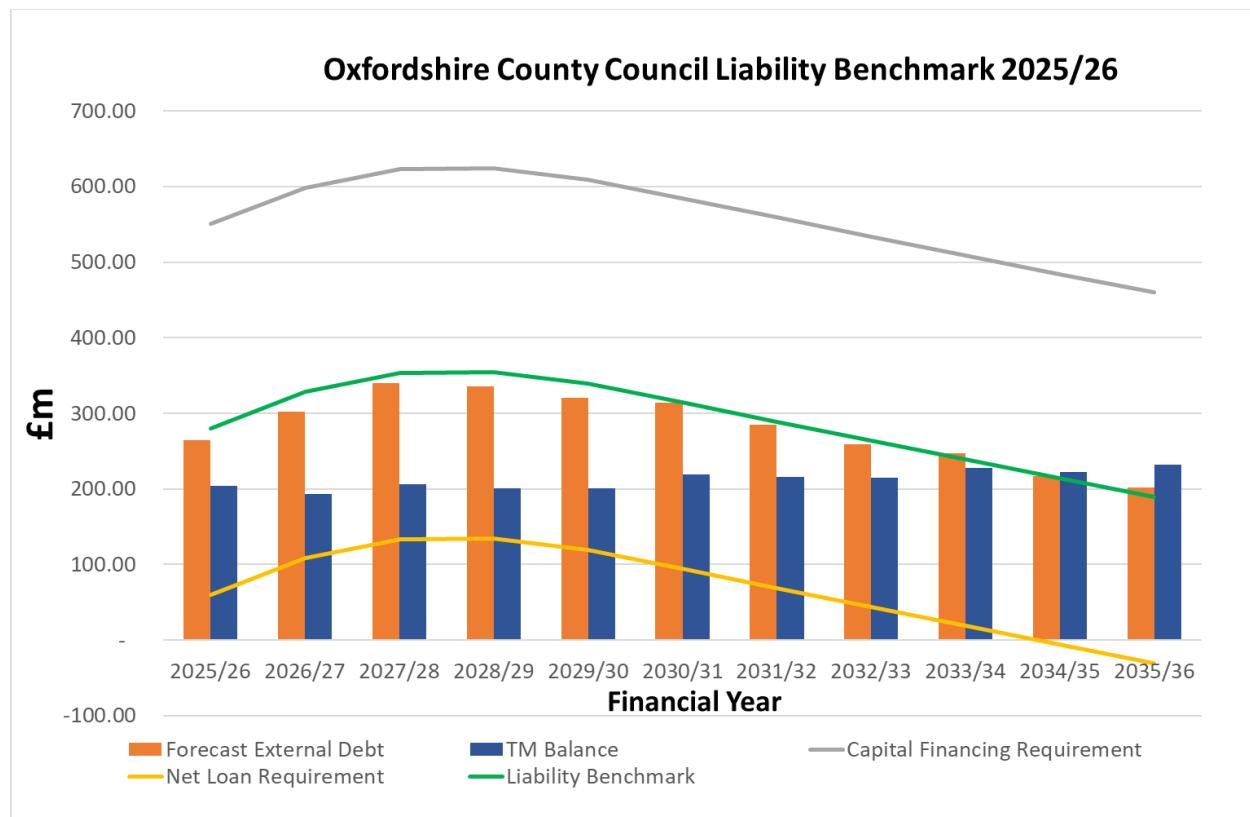
- Prudence – Capital Expenditure & External Debt
- Affordability
- Treasury Management

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 2026/27. The forecast internal borrowing position for 2026/27 is £295m.



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 2026/27	Lower Limit %	Upper Limit %	2026/27 Forecast %
Under 12 months	0	20	12.86
12 months and within 24 months	0	25	9.84
24 months and within 5 years	0	35	9.60
5 years and within 10 years	5	40	24.56
10 years and above	25	95	43.14

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 2026/27.

Investment Instruments

41. Investment instruments identified for use in the 2026/27 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 2026/27. 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 AAA 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 2025, the council had £90m (original purchase value of £88m) invested in external funds (excluding MMFs), representing 19% 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 2029 for investments made before 1 April 2024. From 1 April 2029 fluctuations in the fund value are therefore reflected in the revenue account. To mitigate against any reduction in value, a ringfenced IFRS9 reserve was created in 2024/25 with funding of £5.0m. Options to change 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 £123m over the medium term, the proposed limits for investments longer than 364 days is set out below:

	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m
Upper limit on principal sums invested longer than 364 days	150	100	80	60	60

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 2026/27. 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. Arlingclose 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 2026/27 is budgeted to be £10.30m.
- 79. Dividends payable from external funds in 2026/27 are budgeted to be £3.34m.
- 80. Interest payable on external debt in 2026/27 is budgeted to be £13.04m.
- 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 (5th edition) which was updated on 10 April 2024 and applies to accounting periods starting on/after 1 April 2025. The latest versions of the above codes and guidance have been considered in setting the Treasury Management Strategy for 2026/27.
- 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. Jay Akbar, Head of Legal and Governance Services,
jay.akbar@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 2026

Annex 1

External view by Arlingclose

ARLINGCLOSE INTEREST RATE FORECASTS 2025-2028

	Current	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	4.00	3.75	3.50	3.25									
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.90	3.65	3.50	3.40	3.35								
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	3.92	3.90	3.85	3.80	3.75	3.80	3.80						
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
10yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.48	4.40	4.35	4.30	4.25	4.30	4.30						
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
20yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.13	4.90	4.85	4.80	4.75	4.80	4.80						
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
50yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.73	4.50	4.50	4.45	4.50	4.50							
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85

PWLB forecasts are based on PWLB certainty rates.

ECONOMIC BACKGROUND PROVIDED BY ARLINGCLOSE

- **Economic background:** The impact on the UK from the government's Autumn Budget will influence the Authority's treasury management strategy for 2026/27. Other influences will include lower short-term interest rates alongside higher medium- and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and ongoing geopolitical issues.
- The Bank of England's Monetary Policy Committee (MPC) maintained Bank Rate at 4.00% in November 2025, following a 0.25% cut in August. At the November meeting, five members, including the Governor's deciding vote, supported holding rates steady, while four favoured a further reduction to 3.75%.
- The accompanying Monetary Policy Report projected modest economic growth, with GDP expected to rise by 0.2% in the final calendar quarter of 2025. Annual growth is forecast to ease from 1.4% before improving again later, reflecting the delayed effects of lower interest rates, looser monetary conditions, stronger global activity, and higher consumer spending. The view of modest economic growth going forward was echoed by the Office for Budget Responsibility in its Economic and fiscal outlook published in line with the Autumn Statement which revised down its estimate of annual real GDP to around 1.5% on average between 2025 and 2030.
- CPI inflation was 3.8% in September 2025, unchanged from the previous two months and below the 4.0% expected. Core CPI eased to 3.5% from 3.6%, contrary to forecasts of a rise to 3.7%. The Bank of England's November Monetary Policy Report projects inflation to fall from this level - expected to mark the peak - to 3.2% by March 2026, before steadily returning to the 2% target by late 2026 or early 2027.
- The labour market continues to ease with rising unemployment, falling vacancies and flat inactivity. In the three months to September 2025, the unemployment rate increased to 5.0%, while the employment rate slipped to 75.0% and the inactivity rate held at 21.0%. Pay growth for the same period eased modestly, with total earnings (including bonuses) rising by 4.8% and regular pay up 4.6%. Going forward, the Bank predicts the unemployment rate will increase modestly to around 5.0% by around the end of 2025 before trending downwards at a gradual pace over the rest of the time horizon.
- The US Federal Reserve also continued to cut rates, most recently reducing the target range for the Federal Funds Rate by 0.25% at its October 2025 meeting, to 3.75%-4.00%, in line with expectations. Financial markets anticipate a further 0.25% cut in December, although Chair Jerome Powell has cautioned that this is not guaranteed, signalling the Fed may pause before any additional easing. A factor influencing a potential pause is the ongoing government shutdown, which has delayed the publication of several important data releases used to inform monetary policy decisions.
- The European Central Bank (ECB) kept its key interest rates unchanged in October for a third consecutive month, maintaining the deposit rate at 2.0% and the main refinancing rate at 2.15%. The ECB reiterated that future policy decisions will remain data-dependent, noting that inflation is close to its 2% target and that the euro area economy continues to expand despite a challenging global environment, including heightened geopolitical risks and trade tensions.
- **Credit outlook:** Credit Default Swap (CDS) prices, which spiked in April 2025 following President Trump's 'Liberation Day' tariff announcements, have since trended lower,

returning to levels broadly consistent with their 2024 averages. Although CDS prices rose modestly in October, the overall credit outlook remains stable, and credit conditions are expected to remain close to the range seen over the past two years.

- While lower interest rates may weigh on banks' profitability, strong capital positions, easing inflation, steady economic growth, low unemployment, and reduced borrowing costs for households and businesses all support a favourable outlook for the creditworthiness of institutions on Arlingclose's counterparty list. Arlingclose's advice on approved counterparties and recommended investment durations is kept under continuous review and will continue to reflect prevailing economic and credit conditions.

Agenda Item 7

Divisions Affected - All

AUDIT & GOVERNANCE COMMITTEE

14 January 2026

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 2025/26 (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 Ministry of Housing, Communities and Local Government (MHCLG) 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. The Financial Management (FM) Code requires local authorities to demonstrate compliance on an annual basis, with assessments taking a retrospective view of the current financial year. This approach ensures that financial management practices are reviewed against actual performance rather than projections. The assessment aligns closely with the Annual Governance Statement (AGS), which is a statutory requirement under the Accounts and Audit Regulations. Together, these form the key elements of the authority's assurance framework, providing evidence that sound financial management and robust governance arrangements are in place to support transparency, accountability, and financial sustainability.

5. The report sets out the outcome of the compliance self-assessment undertaken for 2025/26 which has found that the Council is well placed to meet the requirements of the FM Code.

Introduction

6. 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
7. 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.
8. 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.
9. 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.

10. 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

11. The 19 standards are set out in full in Annex 1.
12. 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.

Background to 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 MHCLG 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 MHCLG 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, MHCLG 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 2025/26

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. 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 2026.
17. 17 standards have been assessed as green and 2 standards continue to be rated as amber, demonstrating that sound financial management and robust governance arrangements are in place. 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.
18. The principal areas of attention for development and improvement during 2026/27 will be the continued embedding of the Financial & Commercial Services Redesign following go – live in December 2025, and improvements to data structures and reporting that will be enabled by the new structure. These need to underpin the development of a more commercial approach as well as improvements to financial management competency and budget management across the council that will be driven by the agreement and implementation of the Financial Management Strategy across the council.
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 2026. 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.

Financial Implications

20. 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

21. 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:

Jay Akbar, Head of Legal and Governance Services
jay.ackbar@oxfordshire.gov.uk

Staff Implications

22. 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

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

Sustainability Implications

24. 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 2025/26

Background papers: Nil

Contact Officer: Kathy Wilcox, Head of Corporate Finance
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January 2026

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Financial Management Code of Practice – Summary Compliance Assessment 2025/26

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
1. Responsibilities of the Chief Finance Officer (CFO) and Leadership Team				
A	<p>The leadership team is able to demonstrate that the services provided by the authority provide value for money (VfM)</p>	<p>Working as part of the Strategic Leadership Board (SLB), 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. The Strategic Capital and Commercial Board considers commercial opportunities as part of its remit.</p> <p>The Commercial Transformation Programme has been in place during 2025, reviewing systems, processes, data, management information, roles and responsibilities. This resulted in a full redesign of a new Commercial and Procurement Service that went live in December 2025 with an implementation plan that will continue in 2026.</p> <p>The Strategic Leadership Board considered benchmarking and performance information by way of the IMPOWER index in November 2025. This provided an opportunity to consider areas where improvements could be made to outcomes which cost less. Further work is planned in early 2026 to consider ambitions and</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.</p> <p>The redesign of Financial & Commercial Services went live in December 2025 with an implementation plan into 2026. This will improve capacity and capability to track and report VfM data and introduce a more commercial approach in line with the council's Commercial Strategy.</p> <p>The Commercial Strategy will be updated in 2026.</p> <p>A new Financial Management Strategy has been drafted and the Financial Management Operating Model is being</p>	AMBER

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
		<p>opportunities which will help in ensuring a balanced budget can be achieved for 2027/28 and 2028/29.</p> <p>Procurement decisions consider VfM by considering the quality of service and not just price.</p>	updated. These will be reviewed by SLB during Q4 ready for roll out and implementation, including training in 2026.	YELLOW
B	The authority complies with the CIPFA "Statement of the Role of the Chief Finance Officer (CFO) in Local Government"	<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 SLB (Strategic Leadership Board) 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>The redesign of Financial & Commercial Services in 2025 has considered the resource required to support financial management and the commercialisation of the council's activities with additional funding for the Commercial Team expected to be met from savings generated through a more commercial approach.</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 leadership structure in 2024 clearly set out the financial management responsibilities of each of the council's directors and their direct reports. These responsibilities</p>		GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
		are being followed up through on-going performance management in 2025/26.		
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 Board (SLB) 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 Strategic Leadership Board (SLB) 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.</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>While there are some forecast overspends in 2025/26 ongoing focus on managing pressures over the short and medium term to maintain financial resilience is evidenced in the forecast reported through the Business Management & Monitoring Reports to Cabinet.</p> <p>Work to establish a meaningful and effective approach to updating and maintaining schemes of financial</p>	<p>Following the Fair Funding Review 2.0 the Provisional Finance Settlement for 2026/27 and the following two years indicates that significant budget reductions will be required to balance the council's budget over the medium term.</p> <p>From early 2026 onwards the new Financial Management Strategy and Financial Management Operating Model will be implemented to manage this. There will also need to be renewed and sustained focus on managing demand and other pressures throughout the financial year.</p>	GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
		delegation across services has been completed in 2025/26.		GREEN
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 2025 . Appendix B of the report identifies evidence that demonstrates that the Council is delivering good governance.		GREEN
PAGE 74	The Financial Management style of the authority supports financial sustainability	<p>Control over expenditure and prudent use of contingency and other funding was demonstrated in the year end underspend of £12.8m in 2024/25 and the forecast use of contingency (£7.3m) to manage service pressures in 2025/26.</p> <p>Directors are expected to manage within the budget available to them and take action where necessary to do that. However, the use of data and improved reporting to inform service management and needs further development. For example, implementation of a new dashboard to predict expenditure for Children's Services.</p> <p>The cumulative High Needs DSG deficit has grown significantly from £92.3m at 31 March 2025 to a forecast of around £160m in 2025/26 despite on-going</p>	<p>A draft Financial Management Strategy has been developed alongside the redesign of Financial & Commercial Services. The strategy will be finalised and agreed by SLB and following that an implementation plan will be developed and implemented from early 2026.</p> <p>A new data has been established through the redesign of Financial & Commercial Services which went live in December 2025. This has created capacity to</p>	AMBER

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
Page 75		<p>action taken through the Deficit Management Plan. Continued increases in demand and inflationary pressures are proving to be considerably more significant than reductions in expenditure that can be achieved through efficiencies and demand management. There is therefore a significant risk that deficits will continue to increase. Based on national guidance funding responsibility for High Needs SEND was expected to transfer to Central Government from 1 April 2028 when the statutory over-ride ends. An update from the government on the future management of both cumulative and future deficits is expected in the Final Local Government Finance Settlement.</p>	<p>focus on improving data and reporting.</p> <p>The Financial & Commercial Services redesign has created the role of Commercial Partners from December 2025 onwards. People Partners are in place following the redesign of HR and Cultural Change. The intention is to work more closely together as a group of business partners to provide more strategic and aligned advice and support to services.</p>	
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 2025/26 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 2026).</p> <p>The Financial Strategy also includes a suite of performance indicators against which financial performance is measured during the year and reported</p>	<p>While further updates from the Government are awaited sustained action will need to be taken to manage and mitigate the impact of High Needs DSG deficits on the council's financial resilience.</p> <p>The leadership team will need to identify options to manage a</p>	GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
Page 76		<p>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> <p>The Provisional Local Government Settlement for 2026/27 indicates that funding reductions of over £30m will be required by 2028/29.</p> <p>The forecast cumulative deficit for High Needs DSG will be around £160m by the end of 2025/26 and continues to increase. There is a deficit management plan in place to manage the increase. Measures include new special school places, implementation of a new banding system, savings through contract management and a review of internal services and the use of agency staff. Further guidance from the government on the treatment of cumulative and future deficits is expected as part of the Local Government Finance Settlement for 2026/27.</p>	significant reduction in funding over the next three years and focus on managing demand and expenditure and achieving savings.	
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	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. They also explain where further action is required.	Options to manage the impact of funding reductions over the medium term will be developed and discussed with members from early 2026 onwards so that decisions and actions can be	GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
Page 77		<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>While different budget scenarios have been discussed with SLB and Cabinet uncertainty about the impact of Funding Reform / High Needs DSG deficits and Local Government Reform has made future modelling challenging leading up to the publication of the Local Government Finance Settlement for 2026/27 in late December 2025.</p> <p>Updates on High Needs DSG are reported through the Business Management & Monitoring Reports and as part of the Financial Strategy. Based on national guidance funding responsibility for High Needs SEND was expected to transfer to Central Government from 1 April 2028 when the statutory over-ride ends. An update from the government on the future management of both cumulative and future deficits is expected in the Final Local Government Finance Settlement. Updates on this have been shared as part of the 2026/27 budget process.</p> <p>All councillor briefings on funding reform and the implications for the council are provided as part of the</p>	<p>taken in advance of setting the budget for 2027/28</p> <p>MHCLG will set out the plans for managing the historic High Needs deficits as part of the Final Local Government Finance Settlement in February 2026. Further action to manage the deficit may be required once this position becomes clear.</p>	

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
		budget process providing opportunity for questions and other feedback.		
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
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. The MTFS for 2026/27 will cover the period 2026/27 – 2030/31 to enable a high level view of budgets that will be available following local	Service plans are being reviewed in 2026 to align with the new Strategic Plan, and to with the reduced level of funding available to the council from 2027/28 onwards.	GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
		<p>government reform expected to be implemented from April 2028.</p> <p>Following the county council elections in May 2025 service plans have been reviewed to align with the priorities in the Strategic Plan for 2025 – 2028.</p>		
4. The Annual Budget				
J	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
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 comprehensive 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				
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	Following the county council election in May 2025, the county council engaged on a new Strategic Plan . This was part of a number of engagement activities that ran over the summer with residents, focused on their priorities and seeking their views on local government reorganisation. Activities	Future proposals to manage expenditure in line with the available funding are likely to require formal consultation. This will either be undertaking during 2026/27 or as part of the budget process for 2027/28.	GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
Page 80		<p>included nine focus groups, four schools' sounding boards and a representative residents' survey.</p> <p>The strategic plan was agreed by Cabinet in October 2025 following consideration of this feedback. This feedback is also being used to inform the budget and business planning process. The strategic plan was approved by Council in November 2025.</p> <p>Additional engagement outputs from the 2025 annual representative residents' survey will also be considered by Cabinet as part of the budget process.</p>		

M	<p>The authority uses an appropriate documented options appraisal methodology to demonstrate the value for money of its decisions</p>	<p>Key decisions requiring investment to deliver service improvements, deliver savings or invest or save opportunities require business case to aid decision making via the appropriate governance process (e.g., Strategic Capital & Commercial Board).</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.</p> <p>The requirements, system, standards and guidance for the development and approval of business cases is being considered as part of the implementation of the Commercial Strategy.</p> <p>The Commercial Transformation Programme includes a workstream which is developing a digitised business case process</p>	<p>The redesign of Financial & Commercial Services which went live in December 2025 will improve capacity and capability to track and report VfM data and introduce a more commercial approach in line with the council's Commercial Strategy.</p> <p>New tools are in development to support the standardised and structured assessment of service delivery models. This will be coupled with the digitised business case process (due early 2026) and an enhanced decision-support tool to improve consistency and depth of climate and equalities impact assessments (due early 2026).</p>	GREEN
<p>Page 81</p>				

6. Monitoring Financial Performance

N	<p>The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability</p>	<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. The report format has been updated to focus on key issues and exceptions to ensure that challenge and action is focussed on the more significant issues</p> <p>The regular Capital Programme monitoring report includes updates on scheme activity, performance and risks.</p> <p>A data warehouse covering finance, purchasing and HR. has been developed and the majority of the data extraction from our hosted SAP System has been completed. With the new team in Finance formally established in December 2025 this is continuing to improve reporting and supporting data driven intelligence and decision-making.</p> <p>Stages 1-4 have been completed in 2025 and stage 5 is scheduled for delivery by end of the year and will continue into 2025/26.</p> <p>A Purchasing Improvement Workstream is automating purchasing tasks across feeder systems and streamlining the options available to buyers so that the correct shopping channel is clear and directs buyers to the right approach. This will reduce invoice and payment disputes and errors and maximise commercial</p>	
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Page 83	<p>opportunities with new purchasing routes. Phase 1 will be delivered by April 2026.</p> <p>Key enhancements to strengthen capital programme delivery include the introduction of a Pre-Delivery Portal, providing a centralised view of all capital projects prior to delivery and enabling early identification and resolution of barriers. A Strategic Pipeline Board will scrutinise new and developing projects, ensuring cross-service input and better alignment with organisational priorities. In addition, early funding for project development will allow small-scale allocations to make schemes "shovel-ready", ensuring timely progression when full resources become available. The recent development of a prototype prioritisation tool, a data-driven system designed to rank projects against strategic criteria, will be embedded within our governance framework and will ensure funding is directed towards the highest priorities. This is still in the early stages of development, but teams are working to ensure new ways of working are in place by April 2026</p> <p>Capital Monitoring will be developed further using outputs from the Project Portfolio Management (PPM) system</p> <p>A Strategic Risk Manager has been added to the structure as part of the Financial & Commercial Services redesign and is expected to be in post from early 2026.</p>	
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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.</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 was received in February 2025. Since it was not possible to have assurance over the brought forward balances from 2022/23 these accounts were also disclaimed.</p> <p>The 2024/25 accounts were published on 30 June 2025. Feedback on the accounts from external audit has been positive and they are expected to be signed off in early 2026.</p>		GREEN

Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	The Strategic Leadership Board 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
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Agenda Item 8

Division: ALL

AUDIT AND GOVERNANCE COMMITTEE 14 January 2026

ANNUAL GOVERNANCE STATEMENT 2024/25 – 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 2024/25 and to make any comment upon them.

Executive summary

2. On 4 June 2025, this Committee approved the Annual Governance Statement (AGS) for the year 2024/25. 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 Director of Law & Governance, and Monitoring Officer presented an update to Committee on 26 November 2025 on the eight specific areas of focus identified in the 2024/25 AGS for action in 2025/26. This report is therefore a report on only those actions where an additional update is required.

Annual Governance Statement actions for 2025/26

4. The eight actions were:

Service area	Action
A. Schemes of Delegation	Work is still being undertaken with the new services formed as a result of the Tier 3/ 4 restructure, implemented on 16 December 2024.
B. Review of Members' and Officers' fiduciary	It is important that the legal status of and responsibilities and

responsibilities and accountability, and legal status in respect of outside bodies including indemnities.	accountabilities of Members are clearly understood in relation to outside bodies they are appointed to by the Council.
C. Contract Management	A Contract and Supplier Management project has been mobilised with the following five workstreams: <ul style="list-style-type: none"> • The Contract Management Framework • Ways of Working • Governance and Oversight • Systems, processes and data • Skills, capability and knowledge
D. Executive Officer Decisions	To provide guidance to officers on the procedure for making officer executive decisions, in particular the process that applies to key decisions
E. Code of Practice on Good Governance for Local Authority Statutory Officers	To undertake a self-assessment against the Code of Practice on Good Governance for Local Authority Statutory Officers.
F. Appointment of Independent Member of the Audit & Governance Committee	To appoint into this role.
G. To commission an Independent Remuneration Panel	To appoint a panel – to consider member allowances.
H. Inspections Review: Readiness and Sharing Learning	To facilitate opportunities for assurance colleagues to: <ul style="list-style-type: none"> • Share experiences and learning; • Raise awareness through internal communications and cultural change; • Leverage technology for data efficiencies.

UPDATES

5. An update on the progress made on the eight actions is below:

A. Schemes of Delegation

No further update; as reported previously drafting and review of service level delegations continues with support from the Strategic Leadership Team.

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

Completed, no further update.

C. Contract Management

The redesign of the Commercial & Procurement Service was completed in December, with the new structure becoming operational from 15 December 2025. There is now a designated lead for contract and supplier management within the council, who is currently building the team, with recruitment for existing vacancies underway. Internal recruitment was launched on 19 December 2025, with external recruitment planned for the end of January 2026 if required. In the interim, substantial work has been undertaken to cleanse commercial data in preparation for the new structure. This effort has led to an improvement in the proportion of contracts with a designated contract manager listed in the system, rising from 94.7% in September to 97.8% by Christmas. The new team is now developing delivery plans for the remainder of the year and into the 2026–27 financial year. These plans will include:

- Establishing a community of practice to connect the c.320 contract managers across the Council to share best practice
- Establishing a training and development package for contract managers to support their upskilling and the development of contract management as a profession
- Implementing the contract & supplier management framework, including a new risk assessment tool to ensure contract management activity matches the relative risk and complexity of the contract
- Implementing a contract management system to enable a single view of supplier performance across the Council, and for support to be deployed to areas of underperformance.

D. Executive Officer Decisions

No further update. An officer working group is developing guidance, with training planned by March 2026, as reported to Committee in November 2025.

E. Code of Practice on Good Governance for Local Authority Statutory Officers

As reported to Committee on 26 November 2025, the self-assessment against the Code of Practice on Good Governance for Local Authority Statutory Officers will be undertaken in February 2026 as planned.

F. Appointment of Independent Member of the Audit & Governance Committee

Completed, no further update.

G. To commission an Independent Remuneration Panel

Completed, no further update.

H. Inspections Review: Readiness and Sharing Learning

No further update. As reported in November 2025, a report with shared findings/learnings will be collated by 31 March 2026 with review and implementation within Quarter 1 of 2026/27.

Financial implications

6. The financial implications for an enhanced Commercial & Procurement Service have been included in Budget 2026/27, other than this 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

Staff Implications

7. There are no direct staff implications directly relating to, or arising from, this report.

Legal implications

8. The Council has a legal duty to agree an Annual Governance Statement (AGS). The purpose of the document is to set out the Council's controls, how it manages risk effectively and complies with laws to deliver services efficiently and ethically. The AGS details the Council's governance process, systems and any improvements made to ensure good financial and operational management. This report does not itself raise legal implications but is an update on the actions arising from last year's AGS (2024/25) and is consistent with the responsibility of this Committee to ensure the effectiveness of the Council's governance.

Checked by: Jay Akbar, Head of Legal & Governance Services, and Deputy Monitoring Officer
jay.akbar@oxfordshire.gov.uk

Equality and inclusion implications

9. 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.

Sustainability Implications

10. There are no sustainability implications directly relating to, or arising from, this report.

Risk Management

11. There are no risks directly related to, or arising from, this report.

Anita Bradley

Director of Law & Governance and Monitoring Officer

Annex: Nil
Background Papers: Nil

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

January 2026

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Agenda Item 9

AUDIT & GOVERNANCE COMMITTEE 14 January 2026

Report of the Audit Working Group 10 December 2025

Report by Executive Director of Resources (& S151 Officer)

RECOMMENDATION

1. The Committee is RECOMMENDED to note the report.

Executive Summary

2. The Audit Working Group (AWG) met on 10 December 2025. The group received an update on the implementation of management actions arising from the audit of Strategic Contract Management and the audit of Income Collection Street Works and Parking, which were both undertaken on 2024/25.

Introduction

3. Attendance:

Full Meeting: Councillors: Roz Smith (Chair), Ted Fenton, Ron Batstone, Gavin McLaughlan, Leigh Rawlins, John Shiri & James Fry. Co-optee: Paul McGinn.

Officers: Full meeting: Sarah Cox, Chief Internal Auditor, Jack Nicholson, Committee Officer, Katherine Kitashima, Audit Manager.

Officers: Part meeting: Richard Scarlett, Head of Commercial and Procurement, Conor O'Sullivan, Project Manager and Phil Whitfield, Head of Service for Network Management.

Apologies: Anita Bradley, Director of Law & Governance and Monitoring Officer, Ian Dyson, Director of Financial and Commercial Services.

Matters to Report:

Internal Audit of Strategic Contract Management 2024/25

4. An Internal Audit of Strategic Contract Management was completed during 2024/25, resulting in an overall Amber conclusion. The audit found that the objectives of the Contract Management Framework, including the Provision Cycle Handbook, had not been fully achieved. There were inconsistencies in

the approach to strategic contract management across the Council, and contract management plans were missing for some platinum-rated contracts. Additionally, improvements were needed in management information and reporting, while spend analysis was hindered by inaccurate data records.

5. At the March 2025 Audit Working Group meeting, the Director of Financial and Commercial Services provided an update on these issues. It was reported that they had been further addressed through the Commercial Transformation Programme, which includes a dedicated project on Contract Management. The actions originally agreed in the internal audit report have been superseded by this project. Officers were scheduled to attend the December 2025 Audit Working Group to provide an update on the implementation of improvements to strategic contract management governance and processes.
6. At the December 2025 meeting, the new Head of Service for Commercial & Procurement, appointed in Summer 2025 updated the group with the work that has been completed on redesign of the Commercial & Procurement Service. As part of this redesign, a dedicated Contract & Supplier Management team will implement the improvements identified through the contract management project. The Audit Working Group was informed that the remaining actions to complete the project are scheduled for completion by the end of the 2025/26 financial year, which will fully address the findings of the internal audit.
7. The Audit Working Group acknowledged the significant progress made through the Commercial Transformation Programme and confirmed that the issues highlighted in the audit report are being addressed. The group requested further feedback on the delivery of planned improvements. It was agreed that the Head of Commercial and Procurement will attend the March 2026 meeting to provide an update on improvement deliverables, target dates, and progress against implementation.

Internal Audit of Income Collection Street Works & Parking 2024/25

8. An Internal Audit of Income Collection Street Works & Parking was undertaken during 2024/25. The overall conclusion was graded Amber. The Audit & Governance Committee requested an update on implementation of the agreed management actions be reviewed by the Audit Working Group. The audit highlighted areas for improvement in relation to street works income collection processes.
9. Since the audit was finalised and the action plan agreed, a new Head of Service for Network Management has been appointed. The Audit Working Group received an update on actions implemented and improvements introduced, which include the development of a formal financial governance structure across Network Management, introduction of consistent documentation for finance-related meetings, creation of detailed process maps and a robust approach to evidencing fees and charges checks across all platforms. Three actions remain outstanding but are in progress and on track for completion by March 2026.

10. The Audit Working Group was satisfied with the progress made and agreed that monitoring of the remaining actions should continue through the routine internal audit action tracking process.

Financial Implications

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

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

Legal Implications

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

Comments checked by: Jay Akbar, Head of Legal and Governance Services. jay.akbar@oxfordshire.gov.uk

Lorna Baxter
Executive Director of Resources & S151 Officer

Annex: None
Background papers: None

Contact Officer: Sarah Cox, Chief Internal Auditor.
Email: sarah.cox@oxfordshire.gov.uk

December 2025

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Agenda Item 10

AUDIT & GOVERNANCE COMMITTEE

WORK PROGRAMME – 2026

11 March 2026

TRAINING: Risk Management

1. Counter Fraud Update (Sarah Cox)
2. Audit and Governance Committee Annual Report to Council (Sarah Cox)
3. Treasury Management Q3 Performance Report 2025/26 (Tim Chapple)
5. Audit Working Group Update (Sarah Cox)
6. Accounting Policies 2025/26 (Ella Stevens)
7. Ernst & Young Update (Ernst & Young LLP)
8. Electoral Fees and Charges April 2026/27 (Jack Ahier)
9. Officers' Code of Conduct (Anita Bradley)
10. Updates on the Constitution Working Group (Anita Bradley)
11. Audit & Governance Committee Work Programme

20 May 2026

1. Chief Internal Auditor's Annual Report (Sarah Cox)
2. Internal Audit Strategy & Plan 2025/26 (Sarah Cox)
3. Oxfordshire Pension Fund Provisional Audit Planning Report Year Ending 31 March 2026 (Ernst & Young LLP)
4. Oxfordshire County Council Provisional Audit Planning Report Year Ending 31 March 2026 (Ernst & Young LLP)
5. Review of the Audit Governance Statement – Progress on actions (Sarah Smith)
6. Risk Management Update (Louise Tustian)
7. Audit Working Group Update (Sarah Cox)
8. Statement of Accounts 2025/26 Progression (Verbal – Ella Stevens)
9. Audit Working Group Update
10. Audit & Governance Committee Work Programme

15 July 2026

1. Annual Governance Statement 2025/2026 (Anita Bradley)
2. Treasury Management- Outturn report 2025/2026 (Tim Chapple)
3. 2025/26 Statement of Accounts (Ella Stevens)
4. Internal Audit Charter (Sarah Cox)
5. Counter Fraud Plan and Update (Sarah Cox)
6. Risk Management Update (Louise Tustian)
7. Ombudsman Annual Report (Anita Bradley)
8. Audit Working Group Update (Sarah Cox)
9. Health and Safety Annual Report (Paul Lundy)
10. Ernst & Young Update (Ernst & Young LLP)
11. Audit & Governance Committee Work Programme

16 September 2026

1. Treasury Management Quarter 1 Performance Report 2026/2027 (Tim Chapple)
2. Monitoring Officer Annual Report (Anita Bradley)
3. RIPA Policy (Jody Kerman)
4. Local Government and Social Care Ombudsman's Annual Review Report (Anita Bradley)
5. Progression on Statement of Accounts 2025/2026 Audit (Ella Stevens)
6. Annual Governance Statement 2025/26-Update on Actions (Anita Bradley)
7. Internal Audit 2026/27- Progress Report (Sarah Cox)
8. Ernst & Young Update (Ernst & Young LLP)
9. Audit & Governance Committee Work Programme

18 November 2026

1. Counter Fraud Update (Sarah Cox)
2. Treasury Management Mid Term Review 2026/27 (Tim Chapple)
3. Oxfordshire Fire & Rescue Service Statement of Assurance 2025-26 (Matt Schanck)
4. Risk Management Update (Louise Tustian)
5. Audit Working Group Update (Sarah Cox)
6. Annual Governance Statement 2025/26 -Update on Actions (Anita Bradley)
7. Annual Report on Whistleblowing (Anita Bradley)
8. Oxfordshire County Council 2025/26 Ernst & Young LLP Draft Audit Results Report
9. Oxfordshire County Council 2025/26 Ernst & Young LLP Draft Auditor's Annual Report
10. Oxfordshire Pension Fund 2025/26 Ernst & Young LLP Draft Audit Results Report
11. Audit & Governance Committee Work Programme