



To: Members of the Audit & Governance Committee

Notice of a Meeting of the Audit & Governance Committee

**Wednesday, 5 January 2022 at 2.00 pm
County Hall, Oxford, OX1 1ND**

Please note that Council meetings are currently taking place in-person (not virtually) with social distancing at the venue. Meetings will continue to be live-streamed and those who wish to view them are strongly encouraged to do so online to minimise the risk of Covid-19 infection.

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

Places at the meeting are very limited due to the requirements of social distancing. If you still wish to attend this meeting, you must contact the Committee Officer by 9.00 a.m. four working days before the meeting and they will advise you if you can be accommodated at this meeting and of the detailed Covid-19 safety requirements for all attendees.

Please note that in line with current government guidance *all* attendees are strongly encouraged to take a lateral flow test in advance of the meeting.

A handwritten signature in blue ink, appearing to read 'Yvonne Rees'.

Yvonne Rees
Chief Executive

January 2022

Committee Officers: *Lucy Tyrrell, Tel 07741 607834;
E-mail: lucy.tyrrell@oxfordshire.gov.uk*

Membership

Chair – Councillor Roz Smith
Deputy Chair - Councillor Brad Baines

Councillors

Donna Ford
Nick Leverton
Dan Levy

Ian Middleton
Michael O'Connor
Judy Roberts

Ted Fenton

Co-optee: Dr Geoff Jones

Notes:

- ***There will be a pre-meeting held virtually on Friday 31 December 2021 at 10.00 a.m. for the Chair, Vice-Chair and Opposition Spokesperson.***
- ***There will be a private Treasury briefing for all Councillors at 12.45 p.m. on the day of the Committee meeting.***
- ***Date of next meeting: 16 March 2022***

Declarations of Interest

The duty to declare.....

Under the Localism Act 2011 it is a criminal offence to

- (a) fail to register a disclosable pecuniary interest within 28 days of election or co-option (or re-election or re-appointment), or
- (b) provide false or misleading information on registration, or
- (c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

Whose Interests must be included?

The Act provides that the interests which must be notified are those of a member or co-opted member of the authority, **or**

- those of a spouse or civil partner of the member or co-opted member;
- those of a person with whom the member or co-opted member is living as husband/wife
- those of a person with whom the member or co-opted member is living as if they were civil partners.

(in each case where the member or co-opted member is aware that the other person has the interest).

What if I remember that I have a Disclosable Pecuniary Interest during the Meeting?.

The Code requires that, at a meeting, where a member or co-opted member has a disclosable interest (of which they are aware) in any matter being considered, they disclose that interest to the meeting. The Council will continue to include an appropriate item on agendas for all meetings, to facilitate this.

Although not explicitly required by the legislation or by the code, it is recommended that in the interests of transparency and for the benefit of all in attendance at the meeting (including members of the public) the nature as well as the existence of the interest is disclosed.

A member or co-opted member who has disclosed a pecuniary interest at a meeting must not participate (or participate further) in any discussion of the matter; and must not participate in any vote or further vote taken; and must withdraw from the room.

Members are asked to continue to pay regard to the following provisions in the code that *“You must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself”* or *“You must not place yourself in situations where your honesty and integrity may be questioned.....”*.

Please seek advice from the Monitoring Officer prior to the meeting should you have any doubt about your approach.

List of Disclosable Pecuniary Interests:

Employment (includes *“any employment, office, trade, profession or vocation carried on for profit or gain”*.), **Sponsorship, Contracts, Land, Licences, Corporate Tenancies, Securities.**

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members’ conduct guidelines. <http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/lnsite/Elected+members/> or contact Glenn Watson on **07776 997946** or glenn.watson@oxfordshire.gov.uk for a hard copy of the document.

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named on the front page, but please give as much notice as possible before the meeting.

AGENDA

- 1. Apologies for Absence and Temporary Appointments**
- 2. Declaration of Interests - see guidance note**
- 3. Minutes (Pages 1 - 8)**

To approve the minutes of the meeting held on 17 November 2021 and to receive information arising from them.

4. Petitions and Public Address

Currently council meetings are taking place in-person (not virtually) with social distancing operating in the venues. However, members of the public who wish to speak at this meeting can attend the meeting 'virtually' through an online connection. Places at the meeting are very limited due to the requirements of social distancing. While you can ask to attend the meeting in person, you are strongly encouraged to attend 'virtually' to minimise the risk of Covid-19 infection.

Please also note that in line with current government guidance all attendees are strongly encouraged to take a lateral flow test in advance of the meeting.

Normally requests to speak at this public meeting are required by 9.00 a.m. on the day preceding the published date of the meeting. However, during the current situation and to facilitate these new arrangements we are asking that requests to speak are submitted by no later than 9.00 a.m. four working days before the meeting i.e. 9.00 a.m. on 29 December 2021. Requests to speak should be sent to lucy.tyrrell@oxfordshire.gov.uk. You will be contacted by the officer regarding the arrangements for speaking.

If you ask to attend in person, the officer will also advise you regarding Covid-19 safety at the meeting. 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 9.00 a.m. 2 working days before the meeting i.e. Friday 31 December 2021. Written submissions should be no longer than 1 A4 sheet.

5. Treasury Management Strategy Statement and Annual Investment Strategy for 2022/23 (Pages 9 - 30)

2.10 p.m.

Report by the Director of Finance

The Treasury Management Strategy & Annual Investment Strategy for 2022/23 outlines the Council's strategic objectives in terms of its debt and investment management for the financial year 2022/23.

Changes to the Treasury Management Strategy will be recommended to Council to be delegated to the Director of Finance in consultation with the Leader of the Council and Cabinet Member for Finance.

The Audit & Governance Committee is RECOMMENDED to endorse the Treasury Management Strategy for 2022/23 as outlined in the report.

6. Financial Management Code - Summary Compliance Assessment (Pages 31 - 42)

2.25 p.m.

Report by the Director of Finance.

This is the second annual report to those charged with governance on the Council's compliance with the FM Code and follows an initial assessment for 2020/21 that was considered by Audit & Governance Committee in January 2021.

The report sets out the outcome of the compliance self-assessment undertaken for 2021/22 which has found that the Council is well placed to meet the requirements of the FM Code.

The Audit & Governance Committee is RECOMMENDED to endorse the assessment of compliance against the Financial Management Code for 2021/22 (Annex 1)

7. Internal Audit Plan - Progress Report (Pages 43 - 72)

2.40 p.m.

Report by Director of Finance.

This report presents the Internal Audit progress report for 2021/22.

The committee is RECOMMENDED to

a) Note the progress with the 2021/22 Internal Audit Plan and the outcome of the completed audits.

b) Note the Blue Badge Enforcement Strategy.

8. Provision Cycle Implementation Update (Pages 73 - 86)

3.00 p.m.

Report by Director of Law & Governance.

The purpose of this report is to update the Committee on the progress of the Procurement Hub since the recent transformation activities. It seeks to confirm to the Committee that any outstanding actions which have been identified as requiring change or improvement since then, have happened, and provides more information on the structural changes which have happened in the procurement function since this point.

The Committee is RECOMMENDED to:

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

9. Constitution Review Update (Pages 87 - 90)

3.20 p.m.

Report by Director of Law & Governance and Monitoring Officer

The purpose of the Working Group is to make recommendations to this Committee on potential changes to the Constitution. The Committee endorsed an outline approach which envisaged the Committee receiving a draft, revised version of the Constitution in March 2022. The Committee did however affirm that achieving a Constitution that is fit for purpose and understandable by the public, members and officers was the key consideration.

The Constitution Working Group has met twice and it has become apparent that the timescale in which to produce an updated Constitution that is fit for purpose and understandable is not achievable within the initial anticipated timescale.

The Constitution Working Group, therefore, ask the Committee to extend the deadline for the review until July 2022

The Committee is RECOMMENDED:

- (a) ***To note the progress made to date with the Constitution Review; and***
- (b) ***To note the concerns of the Constitution Review Working Group around delivery of a new Constitution by the end of March 2022 and to extend that deadline until 31 July 2022.***

10. Appointment of Independent Persons (Pages 91 - 92)

3.30 p.m.

Director of Law & Governance and Monitoring Officer

In recent years, the work of the Committee has benefited from the co-option to it of an Independent Member, Dr Geoff Jones. While it is not a statutory requirement to do this, it is recommended best practice to do so. The perspective and challenge afforded by an Independent Co-opted Member is integral to the purpose of an effective audit committee, as has been proven through the services of Dr Jones.

It is also recommended best practice that this independent perspective is refreshed periodically. As such, this report sets out a proposal for seeking public interest in the role of an Independent Co-opted Member for this Committee. This proposal involves a public advertisement against the CIPFA skills and competencies framework for audit committee members. The appointment, and any remuneration for it via a Special Responsibility Allowance, will be for Full Council to determine.

The Committee is RECOMMENDED to approve the proposed approach for recruiting and appointing two Independent Co-opted Members to this Committee.

11. Audit Working Group Report (Pages 93 - 94)

3.45 p.m.

Report by the Director of Finance.

This report presents the matters considered by the Audit Working Group meeting of 15 December 2021.

The Committee is RECOMMENDED to note the report.

12. Work Programme 2021/22 (Pages 95 - 98)

3.50 p.m.

To review the Committee's work programme and training schedule for 2021/22.

Close of meeting

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 17 November 2021 commencing at 2.00 pm and finishing at 4.30 pm

Present:

Voting Members: Councillor Roz Smith – in the Chair

Councillor Brad Baines (Deputy Chair)
Councillor Donna Ford
Councillor Nick Leverton
Councillor Dan Levy
Councillor Ian Middleton
Councillor Michael O'Connor
Councillor Judy Roberts

Non-voting Members Dr Geoff Jones

By Invitation: Maria Grindley and Adrian Balmer, Ernst & Young

Officers:

Whole of meeting Sarah Cox, Chief Internal Auditor; Lorna Baxter, Director of Finance; Anita Bradley, Director of Law & Governance; Glenn Watson, Principal Governance Officer; Lucy Tyrrell, Committee Officer

Part of meeting

Agenda Item	Officer Attending
Item 6	Tim Chapple, Treasury Manager
Item 9	Tessa Clayton, Audit Manager
Item 13	Rob MacDougall, Chief Fire Officer

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

67/21 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Councillor Jane Murphy attended as substitute for Councillor Ted Fenton.

68/21 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE

(Agenda No. 2)

None received.

69/21 MINUTES

(Agenda No. 3)

The minutes of 17 November 2021 were agreed by the Committee as an accurate record of the meeting.

The following actions were noted:

- Item 61/21 – Anita Bradley, Director of Law and Governance advised that the comments regarding underage volunteers will be inserted into the introduction of the Policy on Compliance with the Regulation of Investigatory Powers Act 2000.
- 62/21 – noted by the Clerk to take forward.

Steve Jorden, Corporate Director for Commercial Development, Assets and Investment updated the Committee on the restructure of the property team at Oxfordshire County Council which was based on three areas requiring development: lengthy job descriptions and Carillion legacy issues, review of working practices and an opportunity for cost savings by introducing efficient working practices. An external company had been employed to undertake the initial consultation, now in its discovery phase, following consultation with CEDR, staff across both councils and trade unions. Acknowledged that this has been a challenging time for staff with difficult decisions made in terms of the management structure. However, would like to take the opportunity to introduce the new Director of Joint Property Services and advised that the new structure will go live early next year following the final recruitment process.

In response to questions from the Committee, Steve Jorden advised the following:

- There are similarities between the two councils which enables efficiencies for maintenance contracts.
- A key component of the restructure was to build resilience within the team and ensuring business continuity plans are in place across the councils.
- Where valuations of property are required, a number of external agencies are employed to ensure quality valuations take place.

70/21 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

None received.

71/21 EXTERNAL AUDITORS - EXTERNAL AUDIT REPORT

(Agenda No. 5)

Maria Grindley and Adrian Balmer of Ernst & Young presented the following report: Oxfordshire County Council 2020/21 Audit Update Paper which followed the previous report to the September Committee, and provided an update on the outstanding areas of work and key focus.

Maria Grindley and Adrian Balmer responded to questions as follows:

- In respect of the Dedicated Schools Grant Unusable Reserve, the council has made changes in line with recommendations and will await the final set of financial statements to ensure this has been carried out.
- The valuation cycle changed from 5 years to 3 years, therefore the values were not previously identified. However, these have now been rectified, with outstanding issues for the previous two periods not valued under that cycle.

The Committee went on to consider the report 'Oxfordshire Pension Fund Audit Results Report year ended 31 March 2021', and Maria Grindley advised that the audit has moved substantially forward and is awaiting sign off alongside the Council audit when it is finalised.

72/21 UPDATE ON CLOSURE OF ACCOUNTS 2021/22

(Agenda No. 6)

Lorna Baxter, Director of Finance, introduced the report which highlighted the two major pieces of work currently underway so that they can be incorporated into the closure of the Council's 2021/22 accounts and provide opening balances on the Balance Sheet as at 1 April 2022.

Lorna Baxter responded to Members' questions as follows:

- Previous IFRS16 preparatory work ensured that any additional assets have been included, and this includes service contracts such as the Order of St Johns.
- Valuation work is outsourced, and valuers have not yet been appointed. This will incur additional audit fees, of which is not known until the external auditors have given an indication of the additional time taken to complete this work, however this is monitored by the PSAA to ensure is an additional reasonable cost.

In response to a query from Cllr Roz Smith, Lorna Baxter confirmed that she will circulate a response to the Committee on the values of the Council's non-current assets. **(ACTION)**.

RESOLVED to note the content of the report.

73/21 EXTERNAL AUDITOR APPOINTMENTS

(Agenda No. 7)

Councillors had before them a report from Lorna Baxter, Director of Finance which outlined the appointment of external auditors as per the national auditor appointment arrangements established by the Public Sector Audit Appointments (PSAA), previously opted into by the Council. The report outlines the next appointing period, covering audits for 2023/24 to 2027/28, and all local government bodies are required to decide on the options to either arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or join and take advantage of the national collective scheme administered by the PSAA.

In response to member's questions, Lorna Baxter advised of the following:

- Audit fees have been reduced significantly over the past five years, impacting on auditor's ability to resource and deliver good quality audits.
- Audit Managers are rotated; however, the external auditor could be successful in successive bids.
- No estimated qualitative management of time savings has been included at this stage of the process.

RESOLVED to recommend to Council to allow Public Sector Audit Appointments (PSAA) to appoint external auditors on behalf of the Council for the period 2023/24 to 2027/28.

74/21 TREASURY MANAGEMENT MID-TERM REVIEW

(Agenda No. 8)

Tim Chapple, Treasury Manager, introduced the report which covered the treasury management activity for the first six months of 2021/22 in compliance with the CIPFA Code of Practice, and highlighted the following:

- The external debt balance remained at £335.38m on 30 September 2021.
- The average daily balance of temporary surplus cash invested in-house in the six months to 30 September 2021 was £472.76m, compared to a budgeted figure of £428.00m. The rate achieved of 0.48% was below the budgeted rate of 0.58% as set in the strategy, however the budget has been exceeded in cash terms due to higher than forecast balances.
- Forecast returns for externally managed funds for the year are in line with the budgeted figures of £3.81m.
- Link Treasury Services were appointed as the Council's Treasury Management advisors on 1 May 2021 for 3 years following a competitive tendering exercise.

Tim Chapple responded to Members' questions as follows:

- Whilst the budgeted rate of in-house return for the period was lower, the budget has still been exceeded in cash terms due to the higher than forecast balances as the Council took advantage of inter local authority rates which were higher as a result of increased PWLB rates, rather than inter-bank rates which are lower
- Interest rates have been impacted during the pandemic and will remain low, however, would expect interest rates to rise by February 2022
- The external funds have a longer investment horizon as their capital value can fluctuate and are therefore higher risk and would not want to divest away from the investment at a time not suited to the Council.
- The CIPFA consultation on Treasury Management and Prudential Codes ended yesterday, of which we responded and will include a section on ESG as part of the credit risk policy.
- There is a need to balance borrowing at a very low rate now whilst there is still a cost of carry, and potential higher future borrowing rate. Any borrowing is likely to be spread out to balance the risk.

The Committee wished to record their thanks to the Treasury Team in maintaining good rates of return in these difficult times.

RESOLVED to:

a) endorse the report, and

b) recommend Council to endorse the Council's Mid-Term Treasury Management Review 2021/22

75/21 COUNTER FRAUD UPDATE

(Agenda No. 9)

Sarah Cox, Chief Internal Auditor introduced the report which presented a summary of activity against the County Fraud Plan for 2021/22 which was previously presented to the July 2021 Audit & Governance Committee. The Plan supports the Council's Anti-Fraud and Corruption Strategy by ensuring the Council has in place proportionate and effective resources and controls to prevent and detect fraud as well as investigate those matters that do arise.

Sarah Cox responded to members' questions as follows:

- Whilst some cases take longer than others, the team monitors all activity weekly.
- The Council currently has 30 joint cases with the police and could not comment on how that compares with other authorities, however, will endeavour to obtain this information for the Committee. **(ACTION)**
- A counter-fraud service is provided for all maintained schools; however this is not offered for non-maintained schools.

In response to an enquiry from Cllr Ian Middleton, Sarah Cox advised that a training session to cover definitions, terminology and more in-depth analysis of current cases will be organised for the Committee. **(ACTION)**

RESOLVED to note the summary of activity against the Counter Fraud Plan for 2021/22.

76/21 CONSTITUTION REVIEW

(Agenda No. 10)

Anita Bradley, Director of Law & Governance and Monitoring Officer introduced the report which updated the Committee on the commencement of the Working Group to deliver the review and confirmed that the first meeting will take place on 24 November 2021. It had been brought to her attention that members wished the Working Group to have named substitutes, and the recommendation will be changed to reflect this.

In response to a question from Cllr Brad Baines, Anita Bradley confirmed that research for best practices would involve comparing against examples from other local authorities, identified by type of Council structure, and the Centre for Governance Public Scrutiny.

RESOLVED to note the membership of the Constitution Review Working Group, including named substitutes from each Group, and to receive this update on its establishment.

77/21 ANNUAL GOVERNANCE STATEMENT 2020/21 UPDATE

(Agenda No. 11)

The Committee had before it a report from Anita Bradley, Director of Law & Governance and Monitoring Officer which updated the Committee on the three particular areas of focus identified for 2021/22 in the action plan.

In response to members' concerns regarding lack of involvement all Members in addition to Cabinet Members at the initialisation of procurement contracts, Anita Bradley agreed to take these comments away and respond via email.

Anita Bradley further advised that the Social Value Strategy is still in the officer domain, and will be presented firstly to CEDR, and then through political channels via the Portfolio Holder, however noted the comments made by members that they wished for increased councillor involvement at this stage.

In response to a query from Cllr Judy Roberts, Anita Bradley informed members that a request for a governance review of the organisation does not sit within this Committee, and would have to be presented to Full Council.

RESOLVED to receive this update on the actions from the Annual Governance Statement 2020/21 and to make any comment upon them.

78/21 WHISTLEBLOWING POLICY

(Agenda No. 12)

Anita Bradley, Director of Law & Governance and Monitoring Officer introduced the report which recommends a single Whistleblowing Policy refocusing primarily on employees, councillors and contractors, consistent with the Whistleblowing Commission's Code of Practice.

In response to a comment by Cllr Roz Smith, Anita Bradley confirmed that under the constitution, approval of this policy is taken following consultation with the Leader and Deputy Leader of the Council.

Anita Bradley responded to members' questions as follows:

- The Policy sets out a number of ways to raise concerns, both inside and outside of the organisation and would not act in a punitive manner to those concerns raised appropriately within the policy.
- Legal advice is available to all whistle-blowers should they request it, however, could amend the policy to include a named person of support.
- Anonymous claims are discouraged as they are harder to investigate thoroughly. If matters are referred to the police, it is not always possible for the identity of any whistle-blower not to be made known. However, the independence of the Internal Audit Team seeks to give reassurance to employees coming forward.
- OXLEP have their own whistleblowing policy, as they manage their own financial affairs, and are audited by our Internal Audit Team every two years.

Members wished to include the following additional comments under para a) Annex 3 Whistleblowing protections; to include reference to the Director of Law and Governance or Chief Internal Auditor for further advice regarding whether it is lawful to make a disclosure.

RESOLVED to

- a) endorse the Whistleblowing Policy proposed by the Monitoring Officer; and in so doing**
- b) suggest any additional changes to the Monitoring Officer for her consideration as above.**

79/21 OFRS STATEMENT OF ASSURANCE

(Agenda No. 13)

Rob MacDougall, Chief Fire Officer introduced the report, prepared following the Department for Communities and Local Government guidance on statements of assurance for fire and rescue authorities in England, and will be subsequently published on the public website with accessible links to relevant supporting information.

Having already been reviewed by the Audit Working Group, no further comments were received from the Committee.

RESOLVED to approve the report in its entirety.

80/21 AUDIT WORKING GROUP

(Agenda No. 14)

Sarah Cox, Chief Internal Auditor introduced the report which summarised the meeting of the Audit Working Group held on 20 October 2021. She advised that on considering item number 21.30 Risk Management Update, including leadership risk register, the Group requested a more detailed review of LR8 Capital Infrastructure Governance Delivery and for officers to be invited to allow questions from the Group at the next meeting, 15 December 2021.

Anita Bradley, Director of Law & Governance and Monitoring Officer updated the Committee on the provision cycle implementation update paper coming to the 5 January Committee and informed Members about the 'living well at home' procurement, where two small clusters of the tender were subject to a second procurement exercise, which would be included in the report to the January meeting.

RESOLVED to note the report.

81/21 AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME 2021/22
(Agenda No. 15)

The following additions were agreed for the 5 January 2022 meeting:

- Provision Cycle Implementation Update (Anita Bradley/Melissa Sage)
- Constitution Review Update (Anita Bradley)

The following additions were agreed for the 16 March 2022 meeting:

- Constitution Review Proposals (Anita Bradley)

..... in the Chair

Date of signing

Division(s): N/A

AUDIT & GOVERNANCE COMMITTEE 5 January 2022

Treasury Management Strategy Statement & Annual Investment Strategy for 2022/23

Report by the Director of Finance

RECOMMENDATION

1. **The Audit & Governance Committee is RECOMMENDED to endorse the Treasury Management Strategy for 2022/23 as outlined in the report.**

Executive Summary

2. The Treasury Management Strategy & Annual Investment Strategy for 2022/23 outlines the Council's strategic objectives in terms of its debt and investment management for the financial year 2022/23.
3. The forecast average cash balance for 2022/23 is £442m. The Council will maintain the investment in strategic pooled funds with a purchase value of £101m (23%), with the remaining £341m (77%) being managed internally with a mixture of short, medium and long-term deposits.
4. The Bank of England Base Rate is forecast to increase to 0.25% before the start of the financial year and rise again to 0.50% during the financial year.
5. UK Government Gilt yields are forecast to rise from 1.30% to 1.90% over the medium term.
6. Changes to the Treasury Management Strategy will be recommended to Council to be delegated to the Director of Finance in consultation with the Leader of the Council and Cabinet Member for Finance

Changes from 2021/22 Strategy

7. The long term lending limits are proposed to change as follows:

	From	To
2021/23	£185m	£205m
2023/24	£185m	£175m
2024/25	£185m	£165m
2025/26	£185m	£165m
2026/27	n/a	£165m

8. The introduction of a “Liability Benchmark” in paragraph 50 as set out in the updated Prudential Code for Capital Finance in Local Authorities that was issued on 20 December 2021.

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 2022/23 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.
13. It is proposed that any further changes required to the Annual Treasury Management Strategy & Annual Investment Strategy, continue to be delegated to the Director of Finance in consultation with the Leader of the Council and Cabinet Member for Finance.

Treasury Limits for 2022/23 to 2025/26

14. The Authorised Borrowing Limit requires the Council to ensure that total capital investment remains within sustainable limits and that the impact upon future council tax levels is ‘acceptable’.
15. The capital investment relevant to this indicator to be considered for inclusion incorporates financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

¹Comprising the Director of Finance, Service Manager (Pensions), Head of Financial Strategy and Treasury Manager.

Forecast Treasury Portfolio Position

16. The Council's treasury forecast portfolio position for the 2022/23 financial year comprises:

	Principal £m	Average Rate %
Opening External Debt Balance		
PWLB	263.383	4.533
LOBO	45.000	3.943
Money Market Loans	5.000	3.950
TOTAL EXTERNAL DEBT	335.383	
<u>2022/23 Average Cash Balance</u>		
Average In-House Cash	340.630	
Average Externally Managed	101.006	
TOTAL INVESTMENTS	442.230	

17. The average forecast cash balance for 2022/23 is comprised of the following:

	Average Balance £m
Earmarked Reserves	84.150
Capital and Developer Contributions	270.300
General Balances	30.900
Cashflow and Working Capital Adjustments	141.900
Internal Borrowing	-99.444
Provisions and Deferred Income	13.424
TOTAL	442.230

Treasury Management Advisors

18. Link Treasury Services Ltd provide treasury management advice to the Council.

Prospects for Interest Rates

Economic Forecast – Provided by Link Treasury Services Ltd (10 November 2021)

19. Link provided the following forecasts on 8 November 2021. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View		8.11.21													
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25	
3 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.10	1.10	1.10	1.10	1.10	1.10	
12 month ave earnings	0.50	0.60	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20	1.20	
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00	
10 yr PWLB	1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40	
25 yr PWLB	2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70	
50 yr PWLB	1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50	

Additional notes by Link on this forecast table: -

- *LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.*
- *Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.*

20. The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings.

21. As shown in the forecast table above, the forecast for Bank Rate now includes five increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

22. Link views the following as risks to the economic forecast:

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.
- **Mutations** of the virus render current vaccines ineffective, and development of vaccines to combat these mutations takes time, resulting in further national lockdowns or severe regional restrictions.
- **The Monetary Policy Committee** raises the Bank Rate to quickly or too far over the next three years and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- **UK / EU trade arrangements** – complications or lack of co-operation in resolving significant remaining issues could cause a major impact on trade flows and financial services.
- **Longer term US treasury yields** rise strongly and pull gilt yields up higher than forecast
- **Major stock markets** e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy
- **Geopolitical risks**, for example in Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows

Forecast for Bank Rate

23. It is not expected that Bank Rate will increase quickly after the initial rate rise as the underlying supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the Monetary Policy Committee’s 2% target after the spike up to around 5% in 2022. The forecast includes five increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%.

Forecasts for PWLB rates and gilt and treasury yields

24. As the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US

Treasury Management Strategy Team’s View

25. The Council’s TMST, taking into account the advice from Link Treasury Services, market implications and the current economic outlook, have determined the rates to be included in the Strategic Measures budget for 2022/23 and over the medium term. TMST forecast a rise to 0.25% before the start of the financial year, another rise to 0.50% during the financial year. Another rise to 0.75% is forecast during 2023/24.
26. The TMST team has agreed that based on the current portfolio of deposits and market rates, the target in-house rate of return as set out below. These rates have been incorporated into the strategic measures budget estimates:

- 2022/23 0.35%
- 2023/24 0.75%
- 2024/25 -2026/27 1.00%

Borrowing Strategy

27. Borrowing rates are forecast to be between 1.40 – 2.60% in the short to medium term. Whilst there will be a “cost of carry²” associated with the long-term borrowing compared to temporary investment, it is smaller compared to recent years.
28. The external borrowing of the Council is set to fall well below the Capital Financing Requirement due to increased capital expenditure and £88m of debt repayments by 2027/28.
29. The Council needs to borrow to finance prudential borrowing schemes. The Council’s Capital Programme Financing Principles applies capital grants, developer contributions, capital receipts and revenue contributions to fund capital expenditure before using prudential borrowing.
30. Financing the Council’s borrowing requirement internally would reduce the cost of carry in the short term but there is a risk that the internal borrowing would need to be refinanced with external borrowing at a time when PWLB (or its successor) and market rates exceed those currently available.
31. The Council’s TMST have agreed that they should maintain the option to fund new or replacement borrowing through internal borrowing. Internal borrowing will have the effect of reducing some of the “cost of carry” of funding. Internal borrowing will also be used to finance prudential schemes. The limit of internal borrowing will be combined with the long term lending limit, and will not exceed £300m.
32. The TMST will monitor the borrowing rates during the 2022/23 financial year. 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 take out new or replacement borrowing to give the Council certain of cost over the long term, and to reduce Interest Rate Risk and Refinancing Risk in the short to medium term. Any borrowing will be reported to Cabinet.
33. As the Accountable Body for OxLEP Ltd, the Council will be required to prudentially borrow £41m on their behalf for project funding from 2021/22 onwards. The borrowing will be included in the Council’s overall borrowing requirement, using internal or external borrowing as appropriate. The loans will be repaid through the retained business rates of the Enterprise Zone 1.
34. If the PWLB offer any further lending rounds of the Local Infrastructure Rate, it is likely to be at a discounted interest rate of gilts + 60 basis points. The borrowing on behalf of OxLEP may be eligible as the schemes are all major infrastructure schemes.

² The difference between the interest payable on borrowing on debt and the interest receivable from investing surplus cash.

35. The Council's chief objective when borrowing money 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.
36. 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.

Borrowing for the Capital Financing Requirement

37. The Council's Capital Financing Requirement (CFR) represents the Council's underlying need to finance capital expenditure by borrowing. The Council's CFR is currently forecast to increase over the medium-term financial plan. This is a result of the requirement to borrow on behalf of the OxLEP discussed in paragraph 32 and increased investment in the Council's Capital Programme, and the previously agreed infrastructure investment.
38. The Council's external debt is also forecast to increase over the medium-term financial plan as new external borrowing required for OxLEP projects and the infrastructure investment is forecast to exceed the rate at which existing long term debt is repaid upon maturity.

Borrowing Instruments

39. The main source of borrowing for the Council is the PWLB. The borrowing rate from the PWLB is directly linked to UK Government Gilt yield. There are three rates offered by the PWLB; the standard rate, the certainty rate and local infrastructure rate, which are 100, 80 and 60 basis points over gilts, respectively.
40. The Council will apply to qualify for the certainty rate each year. If the PWLB announce further infrastructure rate programmes, the Council will apply for it if appropriate.
41. The TMST forecast for available rates from the PWLB over the medium term are as follows:
- 1.50 – 2.70% for the Certainty rate
 - 1.30 – 2.50% for the Infrastructure rate

42. 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). It is recommended that this remain as the limit for 2022/23. As at 30 November 2021 LOBOs represent 14.4% of the total external debt.
43. The Council has five £5m LOBO's with call options in 2022/23, three of which have two call options in year, whilst two have 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 will explore early repayment of LOBO's if there were to arise and where there is a financial benefit to do so.
44. Other sources of funding be available to the Council include the money market, other Local Authorities and the Municipal Bond Fund. The TMST will consider all available funding sources when entering into any new borrowing arrangements.
45. As at November 2021, the average borrowing rate across the whole portfolio taking account all of the sources of funding was 4.44%. The rate for new debt is estimated at 1.9%. If the council takes out new debt at that rate it will reduce the average borrowing rate across the portfolio.

Link Treasury Services View on borrowing rates

46. Link Treasury Services have forecast gilt yields and borrowing rates over the medium term to be as follows:

Duration	Gilt Yield %	PWLB Infrastructure Rate %	PWLB Certainty Rate %
50 year	1.10 – 1.70	1.70 – 2.30	1.90 – 2.50
25 year	1.30 – 1.90	1.90 – 2.50	2.10 – 2.70
10 year	1.00 – 1.69	1.60 – 2.20	1.80 – 2.40
5 year	0.70 – 1.20	1.30 – 1.80	1.50 – 2.00

Treasury Management Prudential Indicators for Debt

Gross and Net Debt

47. This indicator is intended to identify where an authority may be borrowing in advance of need.

Upper Limit of net debt:	2020/21	2022/23	2022/23	2023/24	2024/25
Net Debt / Gross Debt	70%	70%	70%	70%	70%

Upper and lower limits to maturity structure of fixed rate borrowing

48. 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.
49. 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.
50. LOBOs are classified as maturing on the next call date, this being the earliest date that the lender can require repayment.

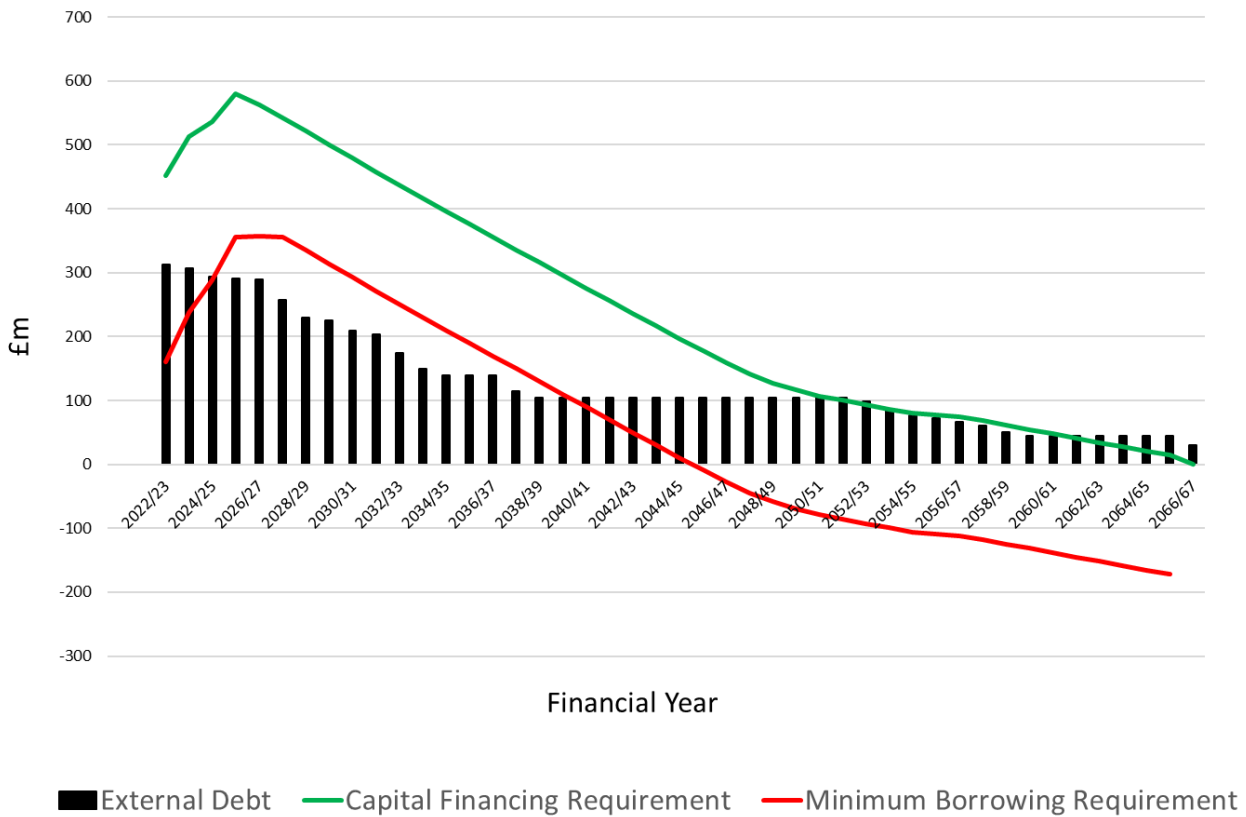
Maturity structure of fixed rate borrowing during 2022/23	Lower Limit %	Upper Limit %
Under 12 months	0	20
12 months and within 24 months	0	25
24 months and within 5 years	0	35
5 years and within 10 years	5	40
10 years and above	40	95

Liability Benchmark

51. Changes to the Prudential Code for Capital Finance in Local Authorities were consulted on in 2021. The Liability Benchmark (ie. the real need to borrow) is an additional prudential indicator introduced in the updated code. This identifies the minimum future borrowing needs, compared to the capital financing requirement and the actual level of external debt.
52. 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 would need to internally borrow up to £292m in 2022/23.

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.

Oxfordshire County Council Liability Benchmark 2022/23



Annual Investment Strategy

53. 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

54. 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.

55. 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 has been reviewed and there are no revisions proposed at present. The new CIPFA Code of Practice will be fully adopted in for 2023/24 and a new policy statement will be brought for approval before adoption.

Investment Instruments

56. Investment instruments identified for use in the 2022/23 financial year are set out in the Specified and Non-Specified instrument tables below
57. 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.
58. 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.
59. All specified investments will be sterling denominated, with maturities up to a maximum of 1 year, meeting the ‘high’ credit rating criteria where applicable.

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

60. 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.

61. A maximum of 50% of internal investments, and 100% of external investments will be held in non-specified investments.

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.

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
Registered Providers	As agreed by TMST in consultation with the Leader and the Cabinet Member for Finance	In-house	5 years
OxLEP Ltd	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

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
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

62. There are no proposed changes to instruments

Credit Quality

63. 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 73 and 74 respectively.
64. 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.
65. 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 Arlingclose and reported to TMST. Appropriate action will be taken for any change in rating.
66. 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 73 and 74), that counterparty will be immediately removed from the lending list.

67. 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.

Liquidity Management

68. 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

69. 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
70. 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 72 and 73 will still apply.
71. Counterparty limits as set out in paragraphs 73 and 74, 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.
72. Any changes to the approved lending list will be reported to Cabinet as part of the Business Management and Monitoring Report.
73. The Council also manages its credit risk by setting counterparty limits. The matrix below sets out the maximum proposed limits for 2022/23. 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

74. 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

Other institutions included on the councils lending list - Structured Products

75. As at 30 November 2021, the Council had no structured products within its investment portfolio. Structured products involve varying degrees of additional risk over fixed rate deposits, with the potential for higher returns. It is recommended that the authority maintain the option to use structured products up to a maximum of 10% of the investment portfolio. The Council will continue to monitor structured products and consider restructuring opportunities as appropriate.

External Funds

76. 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.

77. As at 30 November 2021, the Council had £104m (original purchase value of £101m) invested in external funds (excluding MMFs), representing 18% of the Council's total investment portfolio. As the pandemic continues, there is likely to be continued short term volatility in the value of the funds, however they are held with a long term view, and there is no intention to divest from any of the funds at present.
78. The external funds have a higher targeted income return than in house deposits of 3.75% which has been incorporated into the medium-term financial plan.
79. 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 and fund structures, 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

80. The TMST will aim to maintain the balance between medium and long-term deposits with local authorities and short-term secured and unsecured deposits with high credit quality financial institutions. Money Market Funds will continue to be utilised for instant access cash. This approach will maintain a degree of certainty about the investment returns for a proportion of the portfolio, while also enabling the Treasury Management team to respond to any increases or decreases in interest rates in the short-term.

Treasury Management Indicators for Investments

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

81. 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.
82. The long term lending limit is based on 50% of the forecast average cash balance. Based on forecast balances reducing to £330m over the medium term, the proposed limits for investments longer than 364 day is set out below:

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Upper limit on principal sums invested longer than 364 days	205	175	165	165	165

Other Treasury Management Prudential Indicators

Upper limits on fixed and variable rate interest exposures

83. These indicators allow the Authority to manage the extent to which it is exposed to changes in interest rates.

Fixed interest rate exposure

84. Limits in the table below have been set to reflect the current low interest rate environment. The limits set out offer the Council protection in an uncertain interest rate environment by allowing the majority of the debt portfolio to be held at fixed interest rates, thus not subjecting the Council to rising debt interest.

Upper limit for fixed interest rate exposure	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27
Net principal re fixed rate borrowing / investments	£350m	£350m	£350m	£350m	£350m	£350m

85. Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Variable interest rate exposure

The council will maintain a zero (or negative) net variable interest rate exposure. This is maintained by insuring the Council's variable rate debt is lower than variable rate investments

86. 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.

Policy on Use of Financial Derivatives

87. 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.

88. 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.
89. It is the view of the TMST that the use of standalone financial derivatives will not be required for Treasury Management purposes during 2022/23. The Council will only use derivatives after seeking expertise, a legal opinion and ensuring officers have the appropriate training for their use.

Performance Monitoring

90. The Council will monitor its Treasury Management performance against other authorities through its membership of the CIPFA Treasury Management benchmarking club.
91. 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.
92. 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.

Investment Training

93. All members of the Treasury Management Strategy Team are members of CIPFA or other professional accounting body. 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.
94. 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

95. Interest payable and receivable in relation to Treasury Management activities are included within the overall Strategic Measures budget. In house interest receivable for 2022/23 is budgeted to be £1.49m.

96. Dividends payable from external funds in 2022/23 are budgeted to be £3.81m.

97. Interest payable on external debt in 2022/23 is budgeted to be £14.39m.

Comments checked by:

Lorna Baxter, Director of Finance, lorna.baxter@oxfordshire.gov.uk

Legal Implications

98. 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 Office. CIPFA guidance promotes the need for consultative working and collaboration between these respective roles to promote good organisational governance.

Comments checked by:

Sukdave Ghuman, Deputy Monitoring Officer,
Sukdave.ghuman@oxfordshire.gov.uk

Sustainability Implications

99. This report is not expected to have any negative impact with regards to the Council's zero carbon emissions commitment by 2030.

100. The Treasury Management Strategy Team (TMST) 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 investment practices.

101. The Council's Treasury Management Practices will be updated during 2022/23 to set out the Council's policy and practices relating to environmental, social and governance investment considerations.

102. 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.

103. The Council is undertaking a review of all of its Treasury Management investments to produce a report on how it is performing with regards to Ethical, Social and Governance (ESG) criteria.

104. 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.
105. The Treasury Management function is now completely paperless, and remote working is likely to remain normal for the foreseeable future.

LORNA BAXTER

Director of Finance

Contact officer: Tim Chapple – Treasury Manager

Contact number: 07917 262935

December 2021

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Divisions Affected - All

AUDIT & GOVERNANCE COMMITTEE

5 January 2022

Financial Management Code of Practice Compliance Assessment

Report by Director of Finance

RECOMMENDATION

1. **The Audit & Governance Committee is RECOMMENDED to endorse the assessment of compliance against the Financial Management Code for 2021/22 (Annex 1)**

Executive Summary

2. The Chartered Institute of Public Finance and Accountancy (CIPFA) launched the Financial Management Code of Practice (FM Code) in November 2019. The FM Code was developed on behalf of the then Ministry of Housing, Communities and Local Government (MHCLG)¹ in the context of increasing concerns about the financial resilience and sustainability of local authorities.
3. The FM Code clarifies how Chief Finance Officers should satisfy their statutory responsibility for good financial administration as required in section 151 of the Local Government Act 1972 and emphasises the collective financial responsibility of the whole leadership including the relevant elected members.
4. Local authorities are expected to demonstrate that the requirements of the FM Code are being satisfied. In recognition of the pressures that have been placed on local authorities in dealing with the COVID-19 pandemic, CIPFA has concluded that while 2021/22 remains the first year of compliance this can be within a more flexible framework where a proportionate approach is encouraged.
5. This is the second annual report to those charged with governance on the Council's compliance with the FM Code and follows an initial assessment for 2020/21 that was considered by Audit & Governance Committee in January 2021.

¹ MHCLG is referred to throughout this report as the name of ministry at the time

6. The report sets out the outcome of the compliance self-assessment undertaken for 2021/22 which has found that the Council is well placed to meet the requirements of the FM Code.

Introduction

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

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

Status of the FM Code

13. The [Redmond Review into Local authority financial reporting and external audit](#) which reported in September 2020 included a specific recommendation for 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. [MHCLG 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 MHCLG was published in May 2021](#) but did not provide any further update on the status of the FM Code.

Compliance Assessment 2021/22

15. The first full year of compliance with the FM Code is 2021/22. However, in recognition of the pressures that have been placed on local authorities in dealing with the COVID-19 pandemic and impact on the medium term financial position, CIPFA concluded that the first year of compliance can be within a more flexible framework where a proportionate approach is encouraged.
16. It is for the individual authority to determine whether it meets the standards 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.
17. 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.

18. 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 2022.
19. All 19 standards have been assessed as Green meaning that compliance can be evidenced. Where relevant, proposed further actions that can be taken to enhance compliance have been included in the assessment. The Summary Assessment is included at Annex 1.
20. The Summary Assessment will also be published alongside the Chief Finance Officer's statutory report on the budget (Section 25 Report) as supporting evidence of the consideration given by the Director of Finance to the financial management arrangements and control frameworks that are in place when commenting on the robustness of the proposed budget.

Embedding the FM Code

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

Financial Implications

23. 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, Director of Finance

Legal Implications

24. 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:

Sukdave Ghuman, Head of Legal Services

Staff Implications

25. 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

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

Sustainability Implications

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

LORNA BAXTER

Director of Finance

Annex: Financial Management Code of Practice –
Summary Compliance Assessment 2021/22

Background papers: Nil

Contact Officer: Kathy Wilcox, Head of Corporate Strategy
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January 2022

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Financial Management Code of Practice – Summary Compliance Assessment 2021/22

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
1. Responsibilities of the Chief Finance Officer (CFO) and Leadership Team				
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money (VfM)	Services use benchmarking to inform opportunities to improve VfM. This is evidenced by the use of benchmarking to inform the changes agreed through the Property Services Transformation, for example. Procurement decisions consider VfM by considering the quality of service and not just price.	Consider the development of processes for evidencing benchmarking across services in a more systematic way.	GREEN
B	The authority complies with the CIPFA “Statement of the Role of the CFO in Local Government”	The CFO is qualified accountant with significant experience working as an active member of the council’s leadership team. The CFO is a member of CEDR (Chief Executive Direct Reports) and has an influential role with members of the Cabinet, Audit & Governance Committee and lead opposition members.		GREEN
Governance and Financial Management Style				
	The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control	The Corporate Governance and Assurance Group (CGAG) exists to ensure good governance and internal control, including driving the production of the Annual Governance Statement (AGS) and Action Plan through the completion of Professional Lead Statements and engagement with Corporate Directors.		GREEN
D	The authority applies the CIPFA/SOLACE “Delivering Good Governance in Local Government: Framework (2016)”	Annual Governance Statement (AGS) includes internal audit opinion on effectiveness of internal control environment and systems of internal control. The updated Local Code of Governance is included as part of the agenda for Audit & Governance Committee in January 2022.		GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
E	The Financial Management style of the authority supports financial sustainability	The Council has adopted a Business Partnering model that supports managers to deliver financially sustainable services by providing strategic advice and support. This is underpinned by a Corporate Function that manages the strategic financing issues and provides the budget setting and accounting framework for the organisation.	Further develop the Business Management & Monitoring Report to improve visibility and links between performance, risk and finance reporting and highlight key issues that need to be considered.	GREEN
3. Long to Medium-Term Financial Management				
F	The authority has carried out a credible and transparent financial resilience assessment	Financial resilience is considered as part of the Leadership Risk Register. The forecast level of General Balances is reported against the minimum risk assessed level for balances monthly taking into account the latest monitoring position in the current year.		GREEN
H	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. Business and Budget Planning Reports to Cabinet clearly set out the financial planning environment, risks and any assumptions made.		GREEN
H	The authority complies with the CIPFA "Prudential Code for Capital Finance in Local Authorities"	An annual Capital and Investment Strategy is set by Council alongside a ten-year Capital Programme, Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy. The Capital Programme is monitored monthly with reports produced quarterly for CEDR and Cabinet. Mid-term and Outturn Treasury Management reports are taken to Audit & Governance Committee, Cabinet and Council, including monitoring of Prudential Indicators.		GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	The Council has an integrated Business and Budget Planning Process with a multi-year MTFs linked to service plans and performance reporting through the Business Management & Monitoring Report.	Continue to build the link between service plans and budgets and further improve the linkages between service performance and financial outcomes through enhancements to the Business Management & Monitoring Report.	GREEN
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
Page 39	The budget report includes a statement by the CFO on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves	The CFO's Section 25 report accompanies the suite of Budget documents and includes a commentary on the adequacy of proposed financial reserves with reference to CIPFA's Resilience Index as well as assessed compliance with the FM Code.		GREEN
5. Stakeholder Engagement and Business Plans				

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	<p>The Council undertakes an annual public consultation on the budget proposals.</p> <p>Engagement on the Oxfordshire Fair Deal Alliance's priorities took place in autumn 2021 with consultation on detailed budget proposals running from early December 2021 to January 2022.</p> <p>The Performance & Corporate Services Overview & Scrutiny Committee considers and comments upon the budget proposals ahead of the budget being agreed by Council.</p>	Engagement & Consultation feedback will be used to inform the development of the council's strategic plan.	GREEN
M Page 40	The authority uses an appropriate documented options appraisal methodology to demonstrate the value for money of its decisions	<p>A business case is required for all capital schemes which sets out alternative options, the reasons for discounting them and benefits of progressing with the scheme.</p> <p>All tenders consider VfM by considering the quality of service and not just price – the appraisal process is documented.</p>	Planned improvements to capital governance processes will strengthen capacity for scrutiny of business cases and plans for capital schemes.	GREEN
6. Monitoring Financial Performance				
N	The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	The monthly Business Management and Monitoring Report to Cabinet enables the council's leadership team and Cabinet to respond to emerging risks and to take action to manage those.	As part of planned improvements to capital governance and reporting, the quarterly Capital Programme monitoring report requires enhancement to better reflect performance and the delivery of outcomes linked to the completion of capital schemes.	GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
O	The Leadership Team monitors the elements of its balance sheet that pose a significant risk to financial sustainability	The monthly Business Management and Monitoring Report to Cabinet includes monitoring of key balance sheet items including balances, reserves, debtors, and cash (including the performance of Treasury Management).	Increase visibility of relevant balance sheet items for directorate leadership teams as part of process to sign off the Business Management & Monitoring Report.	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)	The annual accounts are produced in compliance with The Code and have received an unqualified audit opinion. Statutory deadlines for publication of the accounts are consistently met. The audit of the 2020/21 accounts is on-going as at December 2021 following a requirement to restate fixed asset valuations.		GREEN
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	The council's leadership team and Cabinet consider outturn report and year end variances in a timely manner enabling strategic financial decisions to be made as necessary.		GREEN

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Division(s): N/A

AUDIT and GOVERNANCE COMMITTEE – 5 January 2022

INTERNAL AUDIT 2021/22 PROGRESS REPORT

Report by the Director of Finance

RECOMMENDATION

1. The committee is **RECOMMENDED** to
 - a) Note the progress with the 2021/22 Internal Audit Plan and the outcome of the completed audits.
 - b) Note the Blue Badge Enforcement Strategy.

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 2021 Committee. Since the last update, there have been no further red reports issued.

PROGRESS REPORT:

RESOURCES

4. A full update on resources was made to the Audit and Governance Committee in June 2021 as part of the Internal Audit Strategy and Plan for 2021/22. There are currently no vacancies within Internal Audit / Counter Fraud.
5. One of the new Senior Auditors who commenced in November 2020, went on maternity leave from the middle of June 2021. She is due back in quarter 4. We have arranged a temporary resource to cover some of the work, he will be with us from the beginning of January to the end of March 2022.

6. We are continuing to support team members to compete both the Chartered Internal Audit Qualification and the Certified Internal Audit Qualification. Two of the Senior Auditors have recently passed one of the Certified Internal Audit exams, their studies are continuing. The Audit Manager and other Senior Auditor are due to sit their final exam of the Chartered level in the new year. The Assistant Auditor and Counter Fraud Intelligence Officer are undertaking apprenticeships.

2021/22 INTERNAL AUDIT PLAN - PROGRESS REPORT

7. The 2021/22 Internal Audit Plan, which was agreed at the June 2021 Audit & Governance Committee, is attached as Appendix 1 to this report. This shows current progress with each audit and any amendments made to the plan. The plan and plan progress is reviewed quarterly with the individual directorate leadership teams.
8. There have been 7 audits concluded since the last update, summaries of findings and current status of management actions are detailed in Appendix 2. The completed audits are as follows:

FINAL Reports:

Directorate	2021/22 Audits	Opinion
Customers, OD & Resources – IT	IT Business as usual Change Management 2021/22	Amber
Childrens	Supported Families – Claim 2 – Claim certified	N/A
Customers, OD & Resources – IT	IT Software Asset Management 2021/22	Green
Customers, OD & Resources – HR	IR35 2021/22	Green
CDAI	GDPR 2021/22	Amber
Children's	Stage 2 IT audit of Children's Education System Implementation 2021/22	Green
Customers, OD & Resources – Finance / IT & CDAI - Information Governance	PCI-DSS 2021/22	Green
Corporate / Cross cutting	Fleet Management 2021/22	Amber

The following **grant certification** work has been completed since the last report to A&G:

- Local Transport Capital Funding (included Integrated Highways Maintenance Grant and Pothole and Challenge Fund) – certified end of Sept 21.
- Additional dedicated home to school and college transport grant.
Tranches 5 & 6 - certified end of Sept 21
Tranche 7 – certified end of Oct 21
- OCC Disabled Facilities Grant – certified end of Oct 21
- Bus Subsidy Grant – certified Nov 21

PERFORMANCE

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

Performance Measure	Target	% Performance Achieved for 21/22 audits (as at 01/09/21)	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)	67%	Previously reported year-end figures: 2020/21 50% 2019/20 61% 2018/19 69%
Elapsed Time for completion of audit work (exit meeting) to issue of draft report.	15 days	92%	Previously reported year-end figures: 2020/21 88% 2019/20 74% 2018/19 82%
Elapsed Time between issue of Draft report and issue of Final Report.	15 days	55%	Previously reported year-end figures: 2020/21 80% 2019/20 74% 2018/19 85%

The other performance indicators are:

- % of 2021/22 planned audit activity completed by 30 April 2022 - reported at year end.
- % of management actions implemented (as at 07/12/21) – 73%. Of the remaining there are 4% of actions that are overdue, 6% partially implemented and 17% of actions not yet due.
(At September 2021 A&G Committee the figures reported were 72% implemented, 3% overdue, 9% partially implemented and 16% not yet due)
- Extended Management Team satisfaction with internal audit work - reported at year end.

COUNTER-FRAUD

10.The next counter fraud update to Audit & Governance Committee is scheduled for March 2022.

11.At the November 2021 A&G meeting, we reported that we were in the process of drafting the Blue Badge Enforcement Strategy. This work is now complete, and the Strategy is included as Annex 3 to this report. The Strategy was written by the Counter Fraud team in consultation with colleagues across the directorates, including Highways, Customer Services, Adults and Childrens, Finance and the cabinet members for Finance and Highways Management.

12.The Blue Badge Enforcement Strategy sets out Oxfordshire County Council's responsibility for administration and enforcement of the Blue Badge Scheme and provides a framework for us to deal with Blue Badge misuse.

SARAH COX

Chief Internal Auditor

Background papers: None.

Contact Officer: Sarah Cox sarah.cox@oxfordshire.gov.uk

APPENDIX 1 - 2021/22 INTERNAL AUDIT PLAN - PROGRESS REPORT

Audit	Planned Qtr Start	Status as at 7/12/21	Conclusion
Corporate / Cross Cutting			
Provision Cycle - Prepare, Tender and Implement.	Q3	Fieldwork	
Provision Cycle - Manage & Review	Q3	Fieldwork	
Childrens			
Children's Payments via ContrOCC / LCS recording	Q3/Q4	Not started	
Childrens Education System – Implementation of New Council IT System	Q1-Q4	Phase 1 IT controls – completed (Green) Phase 2 IT controls – completed (Green) Phase 3 and 4 IT controls – Q4 Operational processes – not started.	Summary of overall conclusion to be presented at end of year.
Supporting Families	Q1-Q4	Claim 1 – Certified Claim 2 – Certified Claim 3 – not started	-
Family Solutions Plus	Q3/Q4	Not started	
SEND	Q3	Deferred to Q1 of 2022/23 internal audit plan – see plan amendments below.	-
Education Safeguarding	Q3	Scoping undertaken Q1 – deferred to Q3/Q4 at request of service Fieldwork now started	
Addition to Plan: Five Acres Primary School – Financial Management Audit	Q3	Fieldwork completed	

Adults & Housing			
Direct Payments – Follow Up	Q4	Scoping	
Payments to Providers	Q3/Q4	Due to start Q3 – moved to Q4 due to IA team member sickness absence	
Client Charging	Q1	Final Report	Amber
Money Management	Q3	Fieldwork	
Supplier Business Continuity	Q2/Q3	Removed from 2021/22 plan – see plan amendments below	-
Customers, OD & Resources – HR			
Well-being / Sickness Management	Q1/Q2	Fieldwork	
IR35 (off-payroll rules)	Q1/Q2	Final Report	Green
Customers, OD & Resources – Finance			
Treasury Management	Q4	Scoping	
Growth Board – Accountable Body Role	Q1/Q2	Fieldwork	
Pensions Administration	Q4	Fieldwork complete	
Customers, OD & Resources – Finance / IT			
Payment Card Industry Data Security Standard (PCI-DSS)	Q1	Final Report	Green
Customers, OD & Resources – IT			
Cyber Security	Q1	Final Report	Amber
IT “business as usual” Change Management	Q2	Final Report	Amber
Software Asset Management	Q3	Final Report	Green
Data Centre	Q4	Scoping – agreed Jan start	
Customers, OD & Resources – Cultural Services			
Music Service Follow Up	Q4	Not started	
CDAI – Fire & Rescue & CODR – HR / Finance			
Gartan Payroll & HR Processes	Q2	Draft Report	
CDAI			
GDPR	Q2	Final Report	Amber
Property / Facilities Management	Q4	Not started	

CDAI / Corporate / Cross Cutting			
Fleet Management – Compliance	Q2	Final Report	Amber
Environment & Place / CODR – Finance			
Capital Programme - Major Infrastructure	Q3	Removed from 2021/22 plan – see plan amendments below	-
Capital Programme - Highways Asset Management	Q3	Removed from 2021/22 plan – see plan amendments below	-
Environment & Place			
Highways Contract Management	Q2/Q3	Not started – service requested Q4 start	
S106 – Spend	Q1/Q2	Draft Report	
Various / Corporate / Cross Cutting			
Combined Audit & Counter Fraud Reviews	Q1-Q4	-	
Covid-19 Funding / Payments	Q1-Q4	-	
Grants	Q1-Q4	<ul style="list-style-type: none"> • Building Digital UK – certified end of June 21 • Local Transport Capital Funding (included Integrated Highways Maintenance Grant and Pothole and Challenge Fund) – certified end of Sept 21. • Additional dedicated home to school and college transport grant. 	

		<p>Tranches 5 & 6 - certified end of Sept 21</p> <p>Tranche 7 – certified end of Oct 21</p> <ul style="list-style-type: none"> • OCC Disabled Facilities Grant – certified end of Oct 21 • Bus Subsidy Grant – certified Nov 21 	
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Amendments to OCC Internal Audit Plan 2021/22

Directorate	Audit	Reason for amendment
Childrens	Five Acres Primary School	<p>Addition to plan</p> <p>Requested by Childrens Directorate – financial management audit of the school.</p>
Childrens	SEND	<p>Deferred to Q1 of 2022/23 plan.</p> <p>The audit was planned for Q4 of 2021/22, but has been deferred by a couple of months, recognising the significant work currently being undertaken in relation to the consultation on the SEND Strategy.</p> <p>Significant progress has been reported on the implementation of actions agreed in the</p>

		previous audit, with the majority implemented and good progress with the remaining actions.
Adults	Supplier Business Continuity	Removed from plan as separate audit. This will be covered under the wider audit of Provision Cycle – Manage and Review.
Environment & Place / CODR – Finance	Capital Programme - Major Infrastructure	Deferred A fundamental review of capital governance is underway. This audit has therefore been removed from the 2021/22 Internal Audit Plan and will be considered again during audit planning for 2022/23. – Agreed with Director of Finance.
Environment & Place / CODR – Finance	Capital Programme - Highways Asset Management	Deferred A fundamental review of capital governance is underway. This audit has therefore been removed from the 2021/22 Internal Audit Plan and will be considered again during audit planning for 2022/23. – Agreed with Director of Finance.

APPENDIX 2 - EXECUTIVE SUMMARIES OF COMPLETED AUDITS

Summary of Completed Audits 2021/22 since last reported to Audit & Governance Committee September 2021

IT Business as usual Change Management 2021/22

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
IT Service Policy and Process	A	0	1
Change Management Approach	A	0	3
Emergency Changes	G	0	0
Testing	A	0	1
Documentation	G	0	0
		0	5

Opinion: Amber		
Total: 5	Priority 1 = 0	Priority 2 = 5
Current Status:		
Implemented	1	
Due not yet actioned	2	
Partially complete	1	
Not yet Due	1	

IT business as usual changes are managed on the new IT service management tool and are subject to a formal review and approval process, in accordance with good practice and the ITIL (Information Technology Infrastructure Library) framework. IT Services have a documented policy on Change Management. It is from 2012 and requires updating to reflect current standards and processes, following which it will need to be communicated across the service to ensure all relevant staff are aware of requirements.

All IT business as usual changes are logged on the IT service management tool and reviewed and approved by a Change Advisory Board (CAB). Various details

have to be logged for each new change request, including the priority of the change. A review of how priority is determined found that it is not based on any formal assessment, such as 'impact' and 'urgency', and hence there is a risk that changes are not prioritised correctly or consistently. There are a list of standard changes, which are pre-approved and it was confirmed that they have been subject to recent review. In addition to the CAB, there is a Change Review Board (CRB) who look at all completed changes to ensure all relevant tasks have been undertaken. The responsibilities of the CRB are not documented and hence it is unclear what specific tasks they should perform. For example, we were informed that they should look at any changes that are backed out and found that this is not undertaken. There is also no formal management level reporting on the change management function to confirm it is performing as required.

Emergency changes are covered within the IT Change Management Policy and are generally limited to changes that need to be made urgently to address a major incident or a zero day security vulnerability. All such changes are logged on the IT service management tool and have to be approved by an Emergency CAB. No significant risk issues were identified in this area.

The requirement to test changes, where relevant and applicable, is not documented within the Change Management Policy and there is no facility within the IT service management tool to add a test plan for all proposed changes. This presents a risk that changes are not adequately tested and could lead to IT incidents or problems after a change is made.

The documentation that needs to be updated following a change is identified when the change request is logged and is followed up by the CRB. No significant risk issues were identified in this area.

Supported Families October 2021 Claim

Introduction

The current claim consists of 206 families for **Significant & Sustained Progress (SSP)**. This brings the total for the year to 360 families so far.

The audit of the previous claim (June 2021) identified no issues or management actions, owing to the previous improvements to the process for identifying duplicate claims and updates to the Think Family Outcome Plan. All previous actions from previous audits have been implemented.

Overall Conclusion

The audit noted the improvements in the internal processes for data checking and validation made following previous claims have remained effective. Testing for duplicates found no families that have previously been claimed for, and no issues were identified with the eligibility or sustained progress of the families sampled.

Due to satisfactory responses having been received for all queries raised by Internal Audit, this claim can be signed off for submission.

As such, no audit findings or management actions were required.

IT Software Asset Management 2021/22

Overall conclusion on the system of internal control being maintained	G
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
IT Policy and Procedures	A	0	1
Software Procurement	G	0	0
Software Inventory and License Management	G	0	1
Software Installations	G	0	0
		0	2

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

Software Asset Management (SAM) refers to the act of controlling and managing software assets to better support and further organisational goals, as well as managing costs and risks. The audit has identified a strong system of controls in operation. There are defined responsibilities for managing computer software within IT Services and an ICT Software Policy is documented and published on the Intranet. A review of the policy found that it missed its annual review in 2019 and requires updating as it is shown as being owned by the Information Management team, from when they were part of IT Services, and they have no operational responsibility for managing computer software. The policy covers areas such as software procurement and installation but does not highlight the need for software audits and license reconciliations, which is an area that needs to be improved as detailed below. The risks of downloading computer software are covered within the ICT Software Policy and also the Acceptable Use Policy.

Software procurement procedures are in place and require all requests for new computer software to be logged and managed on the IT service management system. All requests have to be supported by a brief business case/justification and require line manager approval. We sample tested five recent requests for new computer software and confirmed these controls to be working effectively. If the

request is for non-standard software, it is passed to the IT Customer Engagement Team to follow-up with the relevant service area. Microsoft software is the biggest software expenditure and it is procured from a supplier who was selected following a competitive tender exercise. The current agreement runs until February 2022 and IT Services have started to work on a new tender. For non-Microsoft software, three quotes are always requested where possible and this was confirmed by our testing. When processing requests for new computer software, the IT Customer Request Team will look to see if an existing license can be re-allocated rather than buy a new one.

IT Services maintain a software inventory which has details of all software that has been procured and the relevant purchase order number and/or software license key. Our sample testing of recently procured software confirmed that inventory details are maintained up-to-date. The SCCM (System Center Configuration Manager) tool has details of all computer software installed on clients and this information is updated on a weekly basis. The number of licenses available for Microsoft 365 is monitored on a daily basis to ensure it is sufficient to cover all new starters. The number of AutoCAD users was also confirmed for licensing purposes when the software license was renewed earlier in the year. However, there has been no wider reconciliation of all software installed against licenses to ensure there is no unlicensed software in use, although our sample testing of a small number of software products (Adobe Acrobat, Visio Standard, Duxbury Braille Translator and ClaroRead Professional) confirmed that there are sufficient licenses for the software installed.

The ability to install software is limited to designated users in IT Services and where possible software is packaged and deployed using SCCM. No risk issues were identified in this area.

IR35 2021/22

Overall conclusion on the system of internal control being maintained	G
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Policies and Procedures	G	0	1
Roles and Responsibilities	G	0	0
IR35 Processes	G	0	1
		0	2

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

Changes to IR35 legislation came into effect in April 2021. These changes included the requirement to re-assess temporary roles once filled and communicate the results of that assessment to the worker. Prior to the IR35 legislative changes coming into effect, the Resourcing Team reviewed processes and arrangements for assessment and communication of IR35 status for temporary workers employed via the Council's temporary worker Contractor. There were also some investigations completed by the Team to review where there could be historic temporary contracting arrangements within the Council which could also have IR35 implications, outside of the arrangements with the current Contractor.

The audit found that there is clear and comprehensive guidance in place for managers on the process for the employment of temporary staff via the Council's temporary worker Contractor which includes guidance on IR35 processes and considerations. It was also noted that team processes and guidance have been reviewed and refreshed within the Resourcing Team with process flow documents now being finalised and rolled out. Roles and responsibilities relating to IR35 considerations when using the Council's temporary worker Contractor were also found to be clearly defined and communicated.

At the time of audit testing, intranet guidance for the engagement of temporary workers outside of the arrangements with the Council's temporary worker Contractor was found to be less clear with some types of role where IR35 needs to be assessed not making clear reference to the required IR35 processes. Roles and responsibilities were not as clearly defined. Whilst it is acknowledged that there should be minimal cases where temporary workers are recruited outside of the arrangements with the temporary worker Contractor, the same IR35 processes apply. Following discussions during the audit, this guidance has been reviewed and simplified. Managers are now routed back to the Resourcing Team which will help to ensure that the correct temporary recruitment and IR35 assessment processes are followed.

Sample testing on the IR35 assessment process found processes for assessing and communicating IR35 status to be operating effectively. There is a clear process in place for the assessment of new roles, in accordance with IR35 legislation, prior to recruitment, review of that role and communication of the decision on IR35 status following the temporary role being filled. As noted above, managers wanting to fill temporary vacancies outside of the standard arrangements with the temporary worker Contractor are now directed, by the intranet guidance, back to the Resourcing Team. There are also processes in place to route temporary recruitments outside of the Council's temporary recruitment contract back through to the Resourcing Team (for example via the Procurement Team) so that they are able to ensure that the correct recruitment and IR35 processes are followed.

From the work undertaken within the Resourcing Team, in preparation for the IR35 legislative changes, to identify historic arrangements where there may be roles requiring assessment under IR35 legislation, it was noted that there are a couple of areas where processes are being reviewed and confirmed to ensure that the correct temporary recruitment and IR35 assessment processes are followed going forward.

GDPR 2021/22

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
Corporate Policy	A	0	2
Governance Structure	A	0	4
Information Audit	R	1	1
Privacy Notice	A	0	2
Data Subject Rights	G	0	0
Data Breaches	G	0	0
Privacy by Design	A	0	2
		1	11

Opinion: Amber		
Total: 12	Priority 1 = 1	Priority 2 = 11
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	12	

The UK GDPR (General Data Protection Regulation) 2021 and the Data Protection Act 2018 collectively set out the UK’s data protection regime. The UK GDPR incorporates the EU GDPR regulation into UK law, following withdrawal from the European Union. There is a good governance structure in place within Oxfordshire County Council for the management and oversight of GDPR compliance. This

includes a corporate Information Governance Group (IGG), which reports to an Information Governance Board (IGB). There is a dedicated Information Management team and a documented Data Protection Policy which sets out the organisation's approach to data protection compliance. The Council has a current data protection registration which expires in November 2021.

A review of the corporate policy and structure for data protection identified the following areas for improvement:

- Whilst the Data Protection Policy is reviewed annually, there is no evidence of it being formally approved.
- A corporate retention schedule is published on the Intranet and defines retention periods for records and documents. The Information Management team review retention periods with service areas as part of the annual review of Information Asset Register's (IAR's) but there is no assurance mechanism in place to confirm that data is not held beyond its agreed retention period.
- There is a 'DPO Plan 2019/20' which has a list of actions to help ensure the Council complies with its data protection obligations. There has been no recent review of the plan and all the actions are shown as being outstanding.
- Membership of the IGG would benefit from being reviewed to ensure all directorates/critical service areas that process personal data are adequately represented.
- The IGB should meet at the agreed interval and a formal record should be maintained of all IGB and IGG meetings.

OCC require all staff to undertake annual training on data protection. There is a mandatory data protection essentials e-learning training course and our sample testing found that 70% of people last completed it in 2019 and hence may not have a current awareness of their data protection responsibilities. There is an outstanding management action from our previous GDPR audit in 2018/19 to address additional training requirements for members of the Information Management team. This is currently being progressed.

One of the key changes introduced by GDPR is the requirement to maintain records of all processing activities, which is important as it supports good data governance and helps demonstrate compliance with UK GDPR. Information Asset Registers (IAR's) are held as records of processing activities but we found they are incomplete and do not capture all relevant details. There is an outstanding action from our previous audit to complete data flow mapping to validate the IAR's. A review of the way in which 'consent' is used has not been performed since the implementation of GDPR in 2018 and hence there is a risk that new consents may not comply with GDPR standards.

Privacy notices need to be improved to ensure the individual's right to be informed about the use of their personal data is respected. The privacy notice on the corporate website is not sufficiently detailed. We also identified a number of paper forms that collect personal data that do not have a privacy notice or it does not meet GDPR standards. The same issues were reported in our previous GDPR audit.

There is a procedure for dealing with subject access requests and other information rights, which are managed by the Information Management team. All requests are logged and the authenticity of the requesting person is confirmed as part of the process. There are no significant risks in this area.

Security incident reporting procedures are in place and require all incidents to be reported to the IT service desk. All information related incidents, as opposed to IT/cyber incidents, are notified to the Information Management team for further review and investigation. All incidents and remedial actions are reported to IGG.

Data Protection Impact Assessments (DPIA's) are performed to help identify and minimise the data protection risks of a project. There is a comprehensive template available to support these reviews but the process for carrying them out is not documented and hence roles, responsibilities and sign-off requirements are unclear. Our sample testing of four recently completed DPIA's identified issues around the recording of DPO comments and one where the 'risks and issues' section had not been completed, which is a key part of the DPIA process.

There were 12 management actions agreed in the 2018/19 audit of GDPR, 10 of which have been closed by management on the basis of being implemented. Two actions are still outstanding relating to a review of IAR's and training for the Information Management team. A review of the 10 closed actions identified four that have not been fully implemented, which relate to a review of privacy notices on forms, compliance with data retention periods, a review of consent and the development of service specific privacy notices. These have been raised again in this report.

IT audit of Children's Education System Implementation - Stage 2

Overall conclusion on the system of internal control being maintained	G
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Opinion: Green		
Total: 4	Priority 1 = 0	Priority 2 = 4
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	4	

Introduction

The audit is being undertaken in a number of stages throughout the year. Internal Audit is covering both assurance over the design of operational processes and controls for the new system and also key IT system processes and controls. This reports on the second stage review, which looked at System Security risks.

Overall Conclusion

Our overall conclusion is Green. This is based on the scope of the work undertaken relating to the consideration of the implementation of key system controls in relation to system security.

This stage review has focussed on Liquidlogic EYES (Early Years & Education Management System.) The Liquidlogic Integrated Finance Technology (LIFT) system was not reviewed as delivery from the supplier is behind schedule and hence work on system security has not yet started.

The EYES system will utilise Single Sign-On (SSO) and the majority of users will be authenticated based on their network credentials. A small number of users will have secondary accounts and they will have to login locally to EYES to access these accounts. These secondary accounts will be subject to the EYES password policy and we confirmed that a minimum password length is enforced, although there were no further details available on complexity requirements, expiry periods and account lockout policy. These areas should be confirmed to be in accordance with corporate password standards.

User access rights are being defined and will be formally signed off by service area leads. All access rights will be documented and we have highlighted the importance of ensuring this documentation is maintained after go-live to ensure the information is available to support subsequent reviews of user access rights.

System audit trail requirements were included in the specification of requirements but the functionality has not been reviewed to see how it works, what activity is being logged and how it can be reported on. This should be confirmed before go-live.

PCI-DSS 2021/22

Overall conclusion on the system of internal control being maintained	G
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Corporate Structure	G	0	1
PCI Scope	G	0	1
PCI Security Controls	A	0	2
Network Security Scans	G	0	1
		0	5

Opinion: Green		
Total: 5	Priority 1 = 0	Priority 2 = 5
Current Status:		
Implemented	2	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	3	

All organisations that take card payments must comply with PCI DSS requirements, which are set by the PCI Security Standards Council to protect cardholder data. OCC take card payments online, over the telephone and face-to-face via Chip & Pin payment devices. Our review has found that significant improvements have been made to the management framework for PCI compliance in recent years, through the introduction of documented standards/procedures and by assigning responsibilities for leading the work in this area.

The overall corporate approach to PCI compliance is set out in the Credit and Debit Card Income Collection Policy and there is an operational PCI compliance programme in place, led by the Income and Banking Systems Manager and supported by IT Services. The Income and Banking Systems Manager has access to specialist advice and guidance on PCI compliance matters. An area for improvement is that there is no formal annual assurance over PCI compliance and addressing this will improve governance by ensuring Senior Management are aware of the status of compliance activities and, specifically, any gaps in control which need to be addressed.

There is no cardholder data held locally on IT systems, which simplifies the PCI compliance regime. A log of all merchant activities is maintained by the Financial Systems and Support team and there is a good understanding of the PCI environment and areas that need to be assessed for PCI compliance, although these would benefit from being formally documented. There is a security policy for Chip & Pin payment devices that requires each merchant site to maintain a local inventory and perform a weekly inspection of the device. Our sample testing identified sites without an inventory and who do not perform a weekly inspection, which could lead to payment devices that have been modified or tampered with not being identified on a timely basis. We also found that the Financial Systems and Support team has not performed a physical annual audit of payment devices as required by the Chip & Pin security policy. Through discussions with the team, it was identified that a physical audit is not an efficient use of limited resources and an alternative approach has been found that will provide the same level of assurance. The Chip & Pin security policy will be updated to reflect this new approach.

A review of telephone payments taken by the Customer Experience Function found they are PCI compliant and the Chip & Pin devices used across the organisation are also PCI approved until 2022. The Capita Pay360 system is used for taking card payments and we tested and confirmed that users have unique accounts and that the password policy complies with PCI requirements. We sample tested five third-party service providers and confirmed their PCI compliance status has been verified.

The training of staff who take card payments is an area that could be improved. From our sample testing at merchant sites, staff confirmed they had received training when Chip & Pin devices were initially installed but a formal record of this is not always maintained and there is no evidence that the training is refreshed. Thus it is not possible to confirm exactly when staff were last trained, which is a risk should this information be required in the event of a data breach.

Approved Scanning Vendor (ASV) scans are not performed as OCC have been advised that they are not required by two sets of PCI consultants based on the scope of the PCI environment. However, the eligibility criteria for SAQ A (Self Assessment Questionnaire), which is used for a number of merchant functions, requires ASV scans and the AoC (Attestation of Compliance), had been incorrectly signed off on the basis that they are performed. Since completion of the audit the errors on the previous SAQs have been notified.

Fleet Management (Compliance) 2021/22

Overall conclusion on the system of internal control being maintained	A
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Opinion: Amber		
Total: 5	Priority 1 = 0	Priority 2 = 5
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	5	

An Oxfordshire County Council review of fleet management carried out in 2019 identified issues arising from the disparate way fleet is currently managed, with vehicle related compliance and assurance, including vehicle safety, taxation, and insurance, as well as driver checks and risk assessments, managed by individual teams within the Council with no central oversight. An audit of Fleet Management was therefore agreed as part of the 2021/22 Internal Audit plan, to test compliance against key controls in this area across directorates, to support the continuing work planned as part of the One Fleet Project.

The audit reviewed compliance in relation to vehicle tax, MOTs, vehicle checks, staff drivers checks, risk assessments and insurance through sample testing of fleet across the Council.

The audit identified a small number of instances of non-compliance with both legal and safety requirements, supporting the need for the new approach. It also highlighted that due to the uncoordinated approach to fleet management, there is no Council-wide assurance or information available on the management and safety of the Council's fleet.

Where compliance issues were identified as part of audit testing, services have been notified and issues corrected. Discussions with the Corporate Director for CDAI confirmed there is the intention for a coordinated approach to fleet management, to facilitate improved oversight of fleet assets and greater consistency in relation to vehicle procurement, management, and disposal.

The audit identified issues with the policies and guidance provided for staff around driving for work, pool cars and hire vehicles, including incomplete and out of date information.

APPENDIX 3

Blue Badge (Disabled Parking) Scheme Enforcement Strategy

Oxfordshire County Council

Contents

- 1 Introduction**
- 2 Types of Misuse**
- 3 Roles & Responsibilities**
- 4 Prevention**
- 5 Detection**
- 6 Targeted Enforcement Activity**
- 7 Investigation**
- 8 Redress**
- 9 Communication and Reporting**
- 10 Legislation**

1. Introduction

1.1 The Blue Badge (Disabled Parking) Scheme provides a national arrangement of parking concessions for people who have an enduring or sustainable disability or condition, including hidden disabilities. It allows Blue Badge holders to park in designated disabled parking bays, as well as in other parking spaces, upon displaying their valid blue badge in the car windscreen.

1.2 There are clear rules around eligibility and usage to ensure the scheme is fair and used appropriately.

1.3 Oxfordshire County Council (OCC) and its partners are responsible for the administration and enforcement of the scheme across the County on behalf of the Department for Transport.

1.4 This Enforcement Strategy aims to ensure genuine blue badge holders are able to make best use of the scheme and to optimise traffic management and parking in hotspot areas. It also provides a framework for dealing with Blue Badge misuse.

2. Types of misuse

2.1 The vast majority of Blue Badge holders use their badges responsibly. However, there are instances of misuse due to the financial and practical benefit associated with using a Blue Badge (parking fees are waived and users can park in disabled bays and double yellow lines).

2.2 The misuse of the Blue Badge scheme undermines its benefits for those who are eligible, impacts upon local traffic management and creates hostility amongst other badge holders and members of the public. It can result in a genuinely disabled person being unable to access designated parking spaces.

2.3 This misuse can take a number of forms including:

- False application for a blue badge
- Use by someone other than the badge holder, either to park in an otherwise restricted area (eg double yellow lines/disabled bays) or to evade parking charges
- Alteration of a genuine Blue Badge
- Creation of a counterfeit Blue Badge
- Use of expired badges
- Use of a badge the holder is no longer entitled to use
- Use of a badge where the holder is deceased
- Use of a badge reported as lost or stolen

This list is not exhaustive.

2.4 It is a criminal offence to misuse a Blue Badge. In the event of someone being found to be in contravention of the Blue Badge scheme, this Strategy seeks to ensure that the Council:

- Clearly messages that misuse of the scheme will not be tolerated
- Provides support to Blue Badge holders to help them to understand their responsibilities as badge holders and reduce misuse
- Enforces the Blue Badge scheme in a fair and consistent manner
- Takes appropriate and proportionate action to disrupt any misuse
- Undertakes criminal proceedings when necessary

3 Roles and Responsibilities

3.1 Currently OCC enforces parking in Oxford City and West Oxfordshire. From the 1st November 2021 OCC takes over responsibility from Thames Valley Police in South Oxfordshire, Vale of White Horse and Cherwell District Council areas. This will ensure equity of parking enforcement across the whole of the County.

3.2 OCC's Parking Team contract with Conduent to enforce the parking schemes in the County. The contract with Conduent stipulates that the Civil Enforcement Officers (CEO's) employed by Conduent will inspect and retain a blue badge when fraud is suspected and provide a written statement to OCC's Counter Fraud Team for further investigation and prosecution. It states that CEO's may also be required to work with the Police, Counter Fraud Officers or any other appointed third-party organization in operations targeting blue badge abuse.

3.3 OCC Officers from the Counter Fraud Team have documented delegated authority to carry out on-street blue badge enforcement exercises and to undertake criminal prosecutions in relation to blue badge misuse.

3.4 Applications for a blue badge are processed by OCC's Customer Service Centre who also act as the first point of contact for members of the public reporting the misuse of a blue badge. This team liaises closely with both OCC's Counter Fraud Team and Conduent.

3.5 All of these teams work closely together in order to implement the Council's Blue Badge Enforcement Strategy.

4 Prevention

4.1 The Council operates an application process which aims to prevent false applications.

4.2 Every successful applicant for a Blue Badge will be issued with the Department for Transport's, 'The Blue Badge scheme: rights and responsibilities in England' leaflet. This will provide the badge holder with the information they need to ensure the badge is used appropriately.

4.3 As part of the application process the applicant agrees to abide by the scheme and not to allow someone else to use their badge.

5 Detection

5.1 Conduent CEO's will inspect vehicles parked using a Blue Badge on the public highway and in Council car parks. Where there is evidence of misuse and the misuse constitutes a contravention of road traffic regulations, the CEO will take the appropriate action as per section 21 of the [Chronically Sick & Disabled Persons Act 1970](#). This may include issuing a Penalty Charge Notice.

5.2 The CEO may also consider seizing the badge and returning it to the issuing authority if they establish reasonable grounds to do so and is practical.

5.3 If the misuse is by someone other than the badge holder, the Council will contact the badge holder to remind them of their responsibility to ensure the badge is not misused and that allowing another person to misuse the badge is a criminal offence. If the misuse continues, the Council will notify the badge holder that further misuse may lead to a refusal to renew the Blue Badge and that the Council may consider criminal proceedings if the misuse continues.

5.4 The Council may receive information on potential Blue Badge misuse from the public, Council employees and other 3rd parties via a dedicated webform on the OCC website. We will consider all allegations made and determine the appropriate action to be taken. Actions may range from reminding the badge holder of their responsibilities to criminal investigation dependant on the individual circumstances of the allegation.

5.5 Where intelligence suggests particular geographical areas of Blue Badge misuse, the Council will consider undertaking operations to target these areas.

5.6 Regular on-street enforcement exercises will be undertaken by the Council's Officers with delegated authority to do so (see Section 6).

5.7 The Council will adopt a proportionate, professional and respectful approach towards any enforcement activity. Badge holders will be provided with an opportunity to explain the circumstances of any potential badge misuse and a reasonable response will be taken. Any safeguarding issues will be referred to the relevant safeguarding teams.

6 Targeted Enforcement Activity

6.1 Regular targeted enforcement exercises will be undertaken by OCC's Counter Fraud Team (approximately 2 days per quarter).

6.2 Counter Fraud Officers will carry out pro-active on street exercises in locations identified by the intelligence received from members of the public and partners such as CEO's, Police etc.

6.3 Officers will inspect Blue Badges they believe to be in use fraudulently and if necessary, seize them. The user of the badge may then be questioned under caution by officers from the Counter Fraud team at the roadside or if deemed more appropriate, invited to attend Council offices for the interview.

6.4 If, however the Counter Fraud Team receives intelligence about misuse by a particular person, the Counter Fraud Team will undertake a targeted one-off enforcement exercise with a view to eradicating the reported abuse / misuse and apply sanctions. This will be used for serious or repeated cases of abuse where a prosecutable offence is occurring. It is possible that such activity would require authorizations such as Directed Surveillance under the Regulation of Investigatory Powers Act 2000 (RIPA) and approval would be sought by the Counter Fraud Team from the Magistrates Court.

7 Investigation

7.1 If the misuse could also constitute other criminal offences (other than road traffic offences), the Council will take the appropriate action to stop the misuse and investigate the offence. The issue of a Penalty Charge Notice for contraventions of road traffic regulations does not prevent the Council from also pursuing criminal offences. Such investigations are not limited to the badge holder, but also include third parties misusing the badge.

7.2 Criminal investigations will be conducted by professionally trained officers from the Counter Fraud Team in accordance with the Criminal Procedures and Investigations Act 1996, Police and Criminal Evidence Act 1984 and any other legislation that may be appropriate to a particular investigation.

7.3 The Council will use the personal data it holds for the prevention and/or detection of crime where it is appropriate and lawful to do so.

8 Redress

8.1 Where evidence of wrongdoing is identified the Council may take one or more of the following courses of action in accordance with the relevant legislation:

- Remind the badge holder of their responsibilities
- Inform the person misusing the badge that they are committing offences and may be prosecuted for future offences
- Retain the badge
- Refuse to renew a Blue Badge
- Cancel a blue badge
- Refuse an application for a Blue Badge
- Offer an individual a formal caution as an alternative to prosecution
- Prosecution

8.2 Where the Council has grounds to believe that the badge holder will permit another person to continue to misuse a badge, the Council will consider refusing to renew the badge once it has expired.

8.3 Where a blue badge holder has been convicted of an offence in relation to the misuse of that badge, the Council will consider withdrawing the badge.

9 Communications and Reporting

9.1 Internal and external communications relating to Blue Badge misuse will be issued for the purpose of preventing misuse or fraud occurring, by educating the public, badge holders and staff on the scheme requirements.

9.2 Internally the outcomes of enforcement exercises will be publicised with the relevant managers and to the relevant elected Councillors, in particular members of the Audit & Governance Committee.

9.3 Outcomes from the on-street enforcement exercises will be publicised externally as appropriate with the support of the Communications Team. This will serve to promote awareness of the enforcement activity which is helpful both as a deterrent to potential or actual fraudsters as well as to reassure residents (in particular genuine blue badge users) that misuse is taken seriously and robustly addressed by Oxfordshire County Council.

9.4 Local media channels such as local newspapers and radio will be used to communicate to residents about enforcement activity. The Communications Team will be consulted on an ongoing basis and in particular at the start of an enforcement activity to ensure that messages are planned in advance, including the use of quotes from elected Councillors where appropriate.

10 Legislation

The Disabled Persons' Parking Badges Act 2013 as amended

The Chronically Sick and Disabled Persons Act 1970 as amended

Road Traffic Regulation Act 1984 as amended

The Fraud Act 2006

Police and Criminal Evidence Act 1984

Criminal Procedures and Investigation Act 1996

Author: Counter Fraud Team, OCC

Last review and publication date: December 2021

Next review date: December 2023

Target audience: Council wide

Subject: Enforcement of the Blue Badge scheme rules

Divisions Affected - All

AUDIT and GOVERNANCE COMMITTEE

5 January 2022

Update on Procurement Hub

Report by the Director for Law & Governance

RECOMMENDATION

1. **The Committee is RECOMMENDED to:**
 - (a) **note the update and improvements made to the Procurement Hub in the last year since the restructure, and**
 - (b) **endorse and confirm completion of the Action Plan as detailed in Annex 1.**

Executive Summary

2. The purpose of this report is to update the Committee on the progress of the Procurement Hub since the recent transformation activities. It seeks to confirm to the Committee that any outstanding actions which have been identified as requiring change or improvement since then, have happened, and provides more information on the structural changes which have happened in the procurement function since this point.

Programme Background

3. After the successful High Court action by Marston Holdings regarding the 2019 procurement for Parking Enforcement Services, various actions were identified by both external Legal support and by a previous report for the Committee, to prevent similar situations from happening again in the future.
4. The Action Plan identified various areas of concern in the procurement team which needed to be addressed, specifically:
 - No clear structure and training across both Councils
 - No clear templates / guidelines / best practice existed to ensure standard working practices across Procurement as a whole
 - No category specialisation, leading to 'starting from scratch' each time a procurement commenced in any Directorate
 - No fixed team structure or officers, contributing to a general state of flux and lack of certainty in procurement direction

5. It was also identified that following on from the lack of category specialisation, there was no wider opportunity to develop knowledge or skills through more in depth reviews of the relevant markets and other Councils to ensure best practices and learnings are taken from the wider procurement communities / other Councils, and used to support the development of the Procurement team at OCC / CDC.
6. A clear structure for the procurement team was created through the involvement of PWC in the redesign of the team. A new Head of Procurement and Contract Management was recruited, with the team split along category lines, with Heads of Category as overall leads. Category Managers in various specialisms support them, with more junior officers available for support on larger tenders and to act as lead on lower risk tenders. Recruitment to all senior positions is now complete.
7. The Procurement Handbook was created to support the team through use of standardised templates and processes where appropriate. This is a living document, and although PWC designed this initially, it continues to evolve as the team identify additional templates and processes which would help to support their work. This Handbook gives the established structure and consistency to the procurement workload.
8. Training has been delivered to all members of the team as to how to use the Handbook. Particular focus has been given to the tender evaluation and moderation elements, as these are where the highest risk in a tender process sits.
9. The new structure, using specialist Category Managers acting as Business Partners to the various Directorates, ensures deep category knowledge and expertise is present in the team, and they are best able to advise as to market direction and best practice, including contracts and structures sitting in other local authorities.
10. As the Director of Law & Governance advised at the last meeting of the Committee on 17 November, there have been no successful challenges since 2019. There have however been several tenders which have involved the exchange of letters with suppliers, notably the Living Well At Home Tender. These were resolved successfully for the Council due to the structure and rigour of the tendering process, which was managed successfully by Procurement.
11. It should be noted that these exchanges of letters will become more prevalent in the future, as tender values increase and the consequences of loss of business increase for the suppliers.

Future Changes and Development for Procurement

12. Following Brexit, there has been an opportunity for the Procurement Contract Regulations (2015) to be reviewed to ensure that they are still relevant for a post Brexit UK. Whilst the events of the last few years have delayed the finalisation of these recommendations, it is anticipated that the revised regulations will be issued in Spring 2023. Once these are issued, the Procurement team will be trained in any changes to ensure that they are able to run tenders compliantly and with minimal risk to the Council.
13. The Social Value Policy has been developed by Procurement to ensure compliance with the law in 2022. This will be presented at Cabinet in February for review by members before it is implemented across all relevant tenders from April 2022.

Financial Implications

14. Now that the transformation process is complete, there are no further financial implications for the Procurement Hub. As permanent officers are recruited to replace agency staff, the budget has become more stable.

Legal Implications

15. There are no immediate legal implications arising from this report.
16. With the additional measures developed by the Procurement Hub as a result of the transformation, future tenders should be compliant with the Procurement Contract Regulations 2016 (and future post Brexit legislation) and should minimise the risk of future additional legal costs through procurement challenge.

ANITA BRADLEY

Director of Law & Governance

Background papers: Annex 1 – Procurement Action Plan

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December 2021

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Audit & Governance Committee 3 March 2021

Management Action Plan

1 Page 77	Full management response and action plan is prepared by the Corporate Director for Commercial Development, Assets and Investment and agreed by the Commissioning Officer, Chief Executive and Monitoring Officer	<ul style="list-style-type: none"> Lessons to be learnt 	<ul style="list-style-type: none"> Management response and Improvement Plan approved by CEDR and shared with IC at their meeting on the 27th October 2020 	Corporate Director, Commercial Development, Asset and Investment CDAI	21/10/20	Complete

Audit & Governance Committee 3 March 2021

Management Action Plan

	Address issues associated with procurement including guidance, management and governance	<ul style="list-style-type: none"> • Badly written tender documents • Lack of clarity over status of guidance notes & accuracy of governance • Roles and responsibilities of procurement staff • Accuracy of note taking and status of notes at clarification and evaluation stages • Uncertainty over council policies • High staff turnover and reliance on agency and contact staff 	<ul style="list-style-type: none"> ☐ Counsel advice on note taking received and training of staff undertaken in June/July. Guidance • has been updated to include need for all evaluators to sign conflict of interest statement at the start of all tender processes. Guidance has also been changed to remove element of destroying provisional scoring. Evaluation training has been • updated and includes need for all evaluators to receive evaluation training. A training pack is being developed to be rolled out from Sept to include an Introduction to 	CDAI	31/12/20	Complete
2					31/12/20	Complete
Page 78					31/12/20	Complete

Procurement and Evaluation training.

Audit & Governance Committee 3 March 2021

Management Action Plan

			<ul style="list-style-type: none"> Retention of records - tender record keeping was inconsistent. Guidance has been changed to remove 		31/12/20	Complete
			<ul style="list-style-type: none"> element of destroying provisional scoring. 		31/12/20	Complete
			<ul style="list-style-type: none"> Purchase of eEvaluation software enforces a single auditable approach to evaluation, complete with version control 		31/12/20	Complete
			<ul style="list-style-type: none"> JDs reviewed and new structure developed with clear roles and responsibilities identified. 		31/12/20	Complete
			<ul style="list-style-type: none"> Additional support has been put into place by way of a training session and support for the Provision Cycle Programme. 		31/12/21	Complete
			<ul style="list-style-type: none"> A new permanent Head of Procurement and Contract Management starts in March. Recruitment continues to complete the full structure, with some key appointments made through February. Very targeted recruitment for remaining unfilled roles continues. 		31/12/20	
			<ul style="list-style-type: none"> Competency & Training Framework established and was implemented 			

Audit & Governance Committee 3 March 2021

Management Action Plan

			<p>for use from December 2020. This will allow staff and management to assess competencies and behaviours against agreed standards and determine where further training is required.</p>			<p>Complete for the Hub.</p>
<p>Page 80</p>			<p>assess competencies and behaviours against agreed standards and determine where further training is required.</p>			<p>Ongoing for HESC and other Directorates whilst they undertake their transformations.</p>
<p>3</p>	<p>Management and oversight issues within the commissioning service (communities directorate)</p>	<ul style="list-style-type: none"> • Lack of management oversight • Lack of clarity over roles and responsibilities • Lack of engagement between procurement and client side • No clear understanding of need – badly written tender documents 	<p>☐ A number of processes have been identified through the Provision Cycle Programme in need of improvement. Process improvements have been undertaken, with support from the Business Improvement Team, and new processes have been designed. Category management role clearly identified in new structure.</p>	<p>CDAI</p>	<p>4/01/21</p>	<p>Complete</p>

Audit & Governance Committee 3 March 2021

Management Action Plan

Item	Recommendation	Key Issues	Activity	Lead Officer	Target Start	Status
Page 81			<p>The proposed new design firmly</p> <ul style="list-style-type: none"> <li data-bbox="952 464 1411 687">☐ puts Directors and appropriate officers within their scheme of delegation as accountable for procurement decisions, with support from the procurement hub. <li data-bbox="952 815 1411 927">☐ Focus on key behaviours and communication being embedded in new structure. 		4/01/21	Complete
			4/01/21		Complete	

Audit & Governance Committee 3 March 2021

Management Action Plan

Item	Recommendation	Key Issues	Activity	Lead Officer	Target Start	Status
Page 82 4			<ul style="list-style-type: none"> ☐ Clear lines of management and escalation triggers and routes built into JDs and new structure. Relationship management a requirement in JDs. 		4/01/21	Complete
	Governance, delegations and decision making, including key decisions (governance review)	<ul style="list-style-type: none"> • Poor or no escalation of issues / problems • Lack of clarity over decision making, particularly around member / officer interface • Key decision being taken by officers under delegation but not involving PH's or CEX • A £1m virement has to be approved by Full Council but a £1m settlement can be agreed by a single officer • Confusion over what should be a cabinet decision and should be an officer decision 	<ul style="list-style-type: none"> ☐ Review of scheme of delegation – Financial Scheme updated to reflect current senior leadership team 	Monitoring Officer	31/12/21	Complete
			<ul style="list-style-type: none"> ☐ Review of constitution – taking place Autumn 2021: report scheduled for March 2022 Full Council 	Monitoring Officer	31/12/21	In progress
			<ul style="list-style-type: none"> ☐ CEDR protocol for briefing, CEX, ☐ Portfolio holder & members made clear ☐ Officer Scheme of Delegation being reviewed by Monitoring Officer 	CEDR	30/11/20	Complete
				Monitoring Officer	31/12/21	In progress

Audit & Governance Committee 3 March 2021

Management Action Plan

Item	Recommendation	Key Issues	Activity	Lead Officer	Target Start	Status
5	Briefing of Portfolio Holders (interface with members)	<ul style="list-style-type: none"> Confusion over who should be briefing which Portfolio Holder Lack of communication and coordination at Director level Confusion over when to brief members and take to Informal Cabinet 	<ul style="list-style-type: none"> Portfolio Holder / Director briefing protocol to be agreed CEDR & ELT regularly told to keep PH's informed and up to date Weekly / fortnightly Portfolio Holder's briefing sessions held 	CDAI	30/11/20	Protocol agreed by CEDR and regular briefing sessions in place
6	Briefing, engagement and escalation of issues to the Chief Executive (management escalations)	<ul style="list-style-type: none"> Lack of escalation at the right time when problems emerge Not keeping CEX informed • CEDR not being kept in the loop by senior managers 	<input type="checkbox"/> CEX expectations already made clear	CEDR	Ongoing	

Audit & Governance Committee 3 March 2021

Management Action Plan

	Relevant external procurement expertise should be sought to ensure the procurement capacity in the organisation is effective and compliant.	<ul style="list-style-type: none"> • High reliance on agency / contract staff • Lack of capacity with right skills to meet demand 	<ul style="list-style-type: none"> • PWC brought in to coordinate new operating model (Hub & spoke). Process redesign undertaken • Recruitment underway involving robust selection process to ensure skills and capacity in right areas • Communities redesign - Posts that are undertaking 'hub' 	CDAI	31/12/20	Complete
7					31/12/21	Complete
Page 84					31/12/20	Complete

activities within Communities have been identified and those posts, or the budget for those posts, have been transferred to the Procurement and Contract Management hub to enable the hub posts to be filled

Audit & Governance Committee 3 March 2021

Management Action Plan

			<p>□ Procurement and contract management activities that will</p>		31/12/21	Complete
Page 85			<p>be undertaken within Communities, will be designed and implemented, in consultation with the Procurement and Contract Management hub, in the next phase of Communities Redesign, which will be completed during the 21/22 financial year. Dates for this are still to be confirmed, as the Redesign programme is focussing initially on Directorate Support activity.</p>			

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Divisions: All

AUDIT & GOVERNANCE COMMITTEE 5 JANUARY 2022

Constitution Review - Update

Report by the Director of Law & Governance and Monitoring Officer

RECOMMENDATION

1. **The Committee is RECOMMENDED:**
 - (a) **To note the progress made to date with the Constitution Review; and**
 - (b) **To note the concerns of the Constitution Review Working Group around delivery of a new Constitution by the end of March 2022 and to extend that deadline until 31 July 2022.**

Executive Summary

2. In September 2021, the Committee approved the scope for a review of the Constitution and a Working Group has since been formed. Councillor Pressel is the Chair of this Group and Councillor Smith is the Deputy Chair.
3. The purpose of the Working Group is to make recommendations to this Committee on potential changes to the Constitution. The Committee endorsed an outline approach which envisaged the Committee receiving a draft, revised version of the Constitution in March 2022. The Committee did however affirm that achieving a Constitution that is fit for purpose and understandable by the public, members and officers was the key consideration.
4. The Constitution Working Group has met twice and it has become apparent that the timescale in which to produce an updated Constitution that is fit for purpose and understandable is not achievable within the initial anticipated timescale.
5. A significant amount of work is required to be undertaken in order to produce recommended options. Key principles need to be agreed that will underpin changes to the tone, style, format and content of the constitution. In order to ensure that appropriate best practice review is undertaken, advice sought and to provide officers with the required time to develop content proposals the Constitution Working Group requests that the review be extended beyond the original deadline of the end of March 2022.
6. The Constitution Working Group, therefore, ask the Committee to extend the deadline for the review until July 2022

CONSTITUTION REVIEW WORKING GROUP

7. The Constitution Working Group (CWG) is considering a range of constitutional approaches to agree acceptable style and design principles that will govern the approach to drafting the new Constitution whilst also ensuring that it fulfils all legislative requirements, is fit for purpose and easily understandable. To date they have:
 - Reviewed guidance from the Centre for Governance & Scrutiny
 - Considered the key function of a constitution and how it can deliver transparency
 - Considered how it can become more usable
 - Examined examples of supporting guidance documentation to accompany a constitution
 - Examined examples of website landing pages for constitutions
 - Reviewed examples of best practice diagrams, illustrations and flowcharts to support member and public understanding of key process and procedure
8. The CWG has agreed to consult political groups on a number of key questions to help inform their considerations, to assist with this Officers supporting the CWG will attend Political Group Meetings as requested to gain the views of all Members to ensure that Officers redraft the Constitution in the desired format.
9. The CWG will be reviewing required constitutional content set against desired content at its next meeting in January 2022.
10. Following the previous meeting of the CWG on the 16 December 2021, the Group agreed to ask the Audit & Governance Committee to extend the deadline for the review of the Constitution to ensure it is fit for purpose.
11. The Committee previously affirmed that achieving a Constitution that is fit for purpose and understandable by the public, members and officers was the key consideration.
12. Therefore, the CWG asks the Audit & Governance Committee to extend the deadline of this review to 31 July 2022. This will allow officers additional time to undertake the initial drafting exercise as well as present the Constitution in the final style still to be agreed upon. Officers are currently awaiting feedback from the Political Group meetings to inform the CWG as to the style and presentation to be adopted.
13. Sections under initial consideration are as follows:
 - (a) The Articles
 - (b) Part 7-1 – Scheme of Delegation to Officers
 - (c) Part 8-3 – Contract Procedure Rules
 - (d) Part 8-4 – Officer Employment Procedure Rules
 - (e) Part 8.2 – Financial Procedure Rules
 - (f) Part 3 – Council

- (g) Part 4 – Cabinet
- (h) Part 8.1 – Access to Information Procedure Rules
- (i) Part 9.2 – Protocol on Members Rights and Responsibilities
- (j) Part 9.6 – Protocol on Member/Officer Relations
- (k) Part 3.4 – Local Choice Functions

Financial Implications

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

Legal Implications

15. The Council has a legal duty to maintain a Constitution and to keep it up to date, under the Local Government Act 2000 Section 9P. This report assists the Council in fulfilling the duty to keep the Constitution up to date and discusses the arrangements being developed to maintain it in the future.

Comments checked by:

Sukdave Ghuman, Head of Legal Services

Equality & Inclusion Implications

16. The recommendations in this report do not themselves raise equality implications. However, keeping the Constitution up to date is important to its accessibility. The context of the report is the delivery of a revised Constitution that engages everyone in our communities. The Terms of Reference for the review include an express intention to ensure that the language of the Constitution is fully inclusive.

ANITA BRADLEY

Director of Law & Governance and Monitoring Officer

Background papers: Constitution Review – Update: Report to Audit & Governance Committee of 17 November 2021

Contact Officer: Anita Bradley, Director of Law & Governance and Monitoring Officer

December 2021

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Division: All

AUDIT & GOVERNANCE COMMITTEE – 5 JANUARY 2022

Appointment of Independent Members to the Committee

Report by Director of Law & Governance and Monitoring Officer

RECOMMENDATION

1. **The Committee is RECOMMENDED to approve the proposed approach for recruiting and appointing two Independent Co-opted Members to this Committee.**

Executive Summary

2. In recent years, the work of the Committee has benefited from the co-option to it of an Independent Member, Dr Geoff Jones. While it is not a statutory requirement to do this, it is recommended best practice to do so. The perspective and challenge afforded by an Independent Co-opted Member is integral to the purpose of an effective audit committee, as has been proven through the services of Dr Jones.
3. It is also recommended best practice that this independent perspective is refreshed periodically. As such, this report sets out a proposal for seeking public interest in the role of an Independent Co-opted Member for this Committee. This proposal involves a public advertisement against the CIPFA skills and competencies framework for audit committee members. The appointment, and any remuneration for it via a Special Responsibility Allowance, will be for Full Council to determine.
4. The Committee is asked to endorse the recruitment on the basis set out in this report. As such, a role description is included as an Annex to this report.

Role and purpose of an Independent Member

5. It is not a statutory requirement for the Council to appoint an Independent Co-opted Member of the Committee, as it is for other public sectors. However, it is certainly best practice to do so. CIPFA publishes best practice guidance to the work of audit committees in local authorities – *Audit Committees: Practical Guidance for Local Authorities and Police (2018)*. In this, CIPFA “endorses the approach of mandating the inclusion of a lay or independent member and recommends that those authorities, for whom it is not a requirement, actively explore the appointment of an independent member to the committee”.
6. The guidance notes two key benefits:
 - a) To bring additional knowledge and expertise
 - b) To reinforce the political neutrality and independence of the committee

7. The Redmond Review¹ commissioned by the then Department for Housing Communities and Local Government in late 2019, reviewed the arrangements in place to support the transparency and quality of local authority financial reporting. The findings were published in September 2020 and included in the recommendations was that consideration should be given to the appointment of at least one independent member, suitably qualified, to the Audit Committee. The Government, in its published response to the review in December 2020 accepted this recommendation.
8. The role description in the Annex would form part of the information provided as part of the public advertisement. Assessment would reflect the knowledge and skills framework appended to the CIPFA guidance. It is not envisaged that the co-opted independent members would have voting rights on decisions coming before this Committee: rather, that the co-opted members are fully involved in the discussions on issues coming before the Committee and if appointed to it, potentially, its Audit Working Group.

Proposed approach to recruitment and appointment

9. The guidance is also clear that the position should be publicly advertised and that appointments to it should be for a fixed term to enable a refresh from time to time. As such, it is proposed that the role be advertised for **two** year fixed term, renewable once. It is suggested that the review of any expressions of interest, and any interview, be carried out by the Monitoring Officer and the Director of Finance and either the Chair or Deputy Chair of this Committee.
10. It will then be for Full Council to receive a report from the Monitoring Officer on any potential appointment and for Council to make any such decision to appoint.

Remuneration

11. Currently, the Council's Scheme of Members' Allowances includes a Special Responsibility Allowance (SRA) for the co-opted member of this Committee. That SRA is based on a recommendation of the Independent Remuneration Panel and is weighted in recognition that the Independent Co-opted Member also currently chairs the Audit Working Group.
12. If any new co-opted members were to serve similarly, then the relevant remuneration is already in place. However, it cannot be assumed that this Committee would wish to appoint a new co-opted member to that role, particularly in the first instance. As such, it would be for Full Council, following any recommendation from the Independent Remuneration Panel, to reassess the appropriate level of any co-opted member's allowance in this case.

Financial Implications

¹ Report on its findings was presented to Audit & Governance Committee in November 2020

13. There are no immediate financial implications arising from this proposal. A Special Responsibility Allowance already exists for this role. Any decision by Full Council on future remuneration will no doubt take this existing level into account.

Legal Implications

14. The Council is under no legal obligation to appoint Independent Co-opted Members. As such, there are no legal issues arising from the report. The matter is simply one of best recommended practice.

Equality and Inclusion Implications

15. The report asks the Committee to agree to the advertisement of this opportunity with a view to obtaining expressions of interest. Any such advertisement and subsequent assessments would be carried out with the intention of achieving the widest possible level of interest.

ANITA BRADLEY

Director of Law & Governance and Monitoring Officer

Background papers: Nil

Contact Officer:

December 2021

ANNEX 1

PERSON SPECIFICATION

OXFORDSHIRE COUNTY COUNCIL

AUDIT & GOVERNANCE COMMITTEE – APPOINTMENT OF INDEPENDENT MEMBERS

Person Specification

The successful candidate will be someone who:

- understands the importance of good governance and the responsibilities placed on those responsible for oversight of good governance
- shows an appreciation of the complex issues which can arise within any large and diverse organisation
- demonstrates a commitment to building a strong council with clearly articulated objectives and purpose
- has gained practical experience in financial or general management within a business or public sector environment
- understands the roles and purpose of internal and external audit
- understands the importance and benefits of good risk management
- demonstrates an understanding of the statutory duties and legislative requirements relevant to local government
- has good communication and interpersonal skills
- displays open-mindedness and impartiality
- is able to analyse, interpret and absorb information and evidence effectively and quickly
- understands and complies with confidentiality requirements

Previous experience of audit committee (or equivalent) experience would be desirable but is not essential.

Independent members should not be affiliated with a political party as this may result in potential conflicts of interest. They should also be willing to disclose to the council any matter which, if it became public, might damage the council's reputation.

Oxfordshire County Council seeks to reflect the views of all their residents and therefore welcome applications from members of all communities. The successful

candidates should preferably be residents of Oxfordshire or otherwise be able to demonstrate some direct connection.

BACKGROUND INFORMATION

OXFORDSHIRE COUNTY COUNCIL

AUDIT & GOVERNANCE COMMITTEE – APPOINTMENT OF INDEPENDENT MEMBERS

Background Information

Oxfordshire County Council is seeking to appoint two independent members to their audit committee.

Oxfordshire County Council operates a joint working arrangement with Cherwell District Council, who are also seeking to appoint an independent member for their audit committee. These are separate appointments and therefore each Council will undertake its own selection and interview process. Candidates may apply to serve on one or both committees.

About Us

Oxfordshire is a diverse and dynamic county with nearly 700,000 residents. Along with the historic city of Oxford and large town of Banbury, the county has a thriving network of villages and market towns. They are home to around 40% of the population, making Oxfordshire the most rural county in the south-east.

In 2020/21, we spent £752.4m (excluding schools). This included £68.9m to meet exceptional expenditure and income losses relating to COVID-19. In addition, we spent £201.6m on schools, which was fully funded by government grant. We spent £153.5m on capital projects which included investment in highway improvements, new school buildings and energy efficient street lighting.

The council provides a wide range of services including the provision of:

- Adults and Children's social care
- Education and learning
- Highways and transport
- Waste disposal and recycling
- Public health improvement and prevention services
- Fire and rescue and community safety
- Libraries, cultural, registration and coroners' services

The council is comprised of 63 elected councillors. Full council meets six times a year and approves the overall policies and annual budget of the council. The cabinet comprises the leader and nine other councillors. It meets every month and makes all

key decisions unless the issue has been specifically delegated to an individual cabinet member. Meetings are normally held at the council's offices at County Hall, Oxford.

What are the responsibilities of the Audit Committee?

The primary purpose of the Audit & Governance Committee is to provide independent assurance on the effectiveness of the control environment and corporate governance arrangements operating within the council. This is achieved by:

- reviewing the annual statement of accounts and annual governance statement.
- considering reports received from the internal and external auditors on work completed;
- monitoring the independence, objectivity and performance of the auditors;
- considering the effectiveness of the authority's risk management arrangements
- monitoring counter fraud plans and activities;
- reviewing the council's treasury management strategy and activities.

The committee's responsibilities are set out in the terms of reference, which are contained in the council's constitution. The committee reports annually regarding their work, to demonstrate how they have fulfilled their responsibilities.

What are Audit Committee Members expected to do?

Independent co-opted members are formally appointed to serve on the Council's audit committee for an agreed period of time.

Members are expected to read agenda papers sent prior to each meeting, attend meetings and participate in questioning officers about the contents of reports prepared for the committee's consideration.

Independent co-opted members may also be expected to attend training sessions and read other background information relevant to the working of the committee.

AUDIT & GOVERNANCE COMMITTEE – 5 January 2022

REPORT OF THE AUDIT WORKING GROUP – 15 December 2021

Report by Director of Finance

RECOMMENDATION

1. The Committee is **RECOMMENDED** to note the report.

Executive Summary

2. The Audit Working Group (AWG) met on 15 December 2021. The group received the quarterly update from Internal Audit. Officers attended to provide a briefing on one of the risks from the Leadership Risk Register in relation to Capital Infrastructure Programme Delivery.

Introduction

Attendance:

Full Meeting: Chairman Dr Geoff Jones Councillors: Roz Smith, Brad Baines, Donna Ford, Judy Roberts.

Sarah Cox, Chief Internal Auditor, Lorna Baxter, Director of Finance, Lucy Tyrrell, Committee Officer, Cameron Maclean, Committee Officer, Tessa Clayton, Audit Manager, Anita Bradley, Director of Law & Governance, Ian Dyson, Assistant Director of Finance.

Part Meeting:

Bill Cotton, Corporate Director, Owen Jenkins, Director of Growth and Economy.

Matters to Report:

AWG 21.37 Internal Audit Update

3. The group received an update from the Chief Internal Auditor on progress against the Internal Audit Plan. A full update on plan progress is due to be made to the January Audit & Governance committee.
4. The group considered the executive summaries from the reports finalised since the last update to the A&G committee. It was noted that no further red reports have been issued and the AWG are currently not monitoring any outstanding red reports, as they are satisfied that previous ones have all been reported as effectively implemented.
5. The group noted the continued positive improvement with the implementation of management actions, and also previous actions which had not been

responded to. Where actions remain outstanding from previous financial years these will continue to be followed up by Internal Audit with each Directorate.

6. The group also received and considered an update on some of the current counter fraud cases under investigation.

AWG 21.38 HF1 Didcot Infrastructure and A40 HIF2 Smart Corridor Updates

7. Following review of the Leadership Risk Register at the October 2021 Audit Working Group, the group requested further information regarding the risk in relation to Capital Infrastructure Programme Delivery. Officers attended the December 2021 meeting to provide the group with an update on the current status of each of the two Housing Infrastructure Funded schemes which the Council is currently in contract with Homes England to deliver.
8. The group were briefed on the latest financial summary position and key milestone dates for delivery. The key strategic risks and resulting mitigations were reviewed and discussed.
9. The group acknowledged the briefing and the significance of the risk and the further work that is being undertaken to mitigate that risk but noted that on-going assurance on the funding and deliverability of both HIF 1 and HIF 2 within the set timetables is required.

LORNA BAXTER,
Director of Finance

Contact Officer: Sarah Cox, Chief Internal Auditor
December 2021. sarah.cox@oxfordshire.gov.uk

Date of next AWG meeting Wednesday 9 February 2022 at 14:00

Agenda items for AWG February 2022 meeting:

- Risk Management Update, including leadership risk register – Louise Tustian
- AWG terms of reference

AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME – 2021/22

16 March 2022

Ernst & Young – Progress Report, incl Audit Plan (Maria Grindley/Adrian Balmer)
Scale of Election Fees and Expenditure (Anita Bradley)
Audit & Governance Committee Annual Report to Council 2021 (Cllr Roz Smith)
Counter-fraud Update (Sarah Cox/Tessa Clayton)
Progress update on Annual Governance Statement Actions (Anita Bradley)
Constitution Review Proposals (Anita Bradley)
Local Code of Corporate Governance (Anita Bradley)

11 May 2022

Annual Governance Statement (Anita Bradley)
Annual Report of the Chief Internal Auditor (Sarah Cox)
Internal Audit Strategy & Annual Plan 2022/23 (Sarah Cox)
Annual Scrutiny Report (Robin Rogers/Emily Scholfield)
Ernst & Young - Progress Report (Maria Grindley)
Draft narrative statement and Accounting Policies for inclusion in the Statement of Accounts (Lorna Baxter)
Treasury Management Annual Performance Report (Tim Chapple)

20 July 2022

Ernst & Young – Final Accounts Audit (Maria Grindley)
Statement of Accounts 2021/22 (Lorna Baxter)
Internal Audit Charter (Sarah Cox)
Counter-fraud Plan 2022/23 (Sarah Cox)
OFRS Statement of Assurance 2021-22 (Don Crook)

21 September 2022

Local Government Ombudsman's Review of Oxfordshire Co (Anita Bradley)
Monitoring Officer Annual Report (Anita Bradley)
Constitution Review (Anita Bradley)
Surveillance Commissioner's Inspection and Regulation of Investigatory Powers Act (Richard Webb)
Ernst & Young – 2022/23 Annual Audit Letter (Maria Grindley)
Counter-fraud Plan 2022/23 (Sarah Cox)
Internal Audit Plan – Progress Report (Sarah Cox)

Standing Items:

- Audit Working Group reports (Sarah Cox)
- Audit & Governance Committee Work Programme – update/review (Committee Officer/Chairman/relevant officers)

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DRAFT Audit & Governance Committee – 2022 Training & Briefing Programme

Subject	Proposed slot	Delivered by	Invited
Training - Treasury Management	Slot prior to 5 Jan 22 committee	Tim Chapple	All A&G members Extend invite to all members
Training - Risk Management	Slot prior to 16 March 22 committee	Louise Tustian	All A&G members Extend invite to all members
Training - Annual Governance Statement / Governance areas for the committee	Slot prior to 11 May 22 committee	Tbc – Anita Bradley	All A&G members Extend invite to all members
Training - Statement of Accounts	Slot prior to 20 July 22 committee	Tbc	All A&G members Extend invite to all members
Training – Counter Fraud / Whistleblowing / Internal Audit	Slot prior to 21 Sept 22 committee	Tessa Clayton / Sukdave Ghuman / Sarah Cox	All A&G members Extend invite to all members
Briefing – Confidential meeting with Chief Internal Auditor / Confidential meeting with External Audit	Slot prior to 23 Nov 22 committee	Sarah Cox / EY	Restricted to A&G members only
Briefing – Session for the committee to undertake self-assessment against CIPFA audit committee guidelines	Tbc – separate date to be scheduled – can be at any point within year.	Sarah Cox	Restricted to A&G members only

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