



To: **Members of the Audit & Governance Committee**

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

Wednesday, 10 January 2024 at 1.00 pm

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

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

Martin Reeves
Chief Executive

Deadline(pubagenda)

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

Membership

Chair – Councillor Roz Smith
Deputy Chair - Councillor Brad Baines

Councillors

Yvonne Constance OBE
Ted Fenton
Jenny Hannaby

Nick Leverton
Ian Middleton
Glynis Phillips

Richard Webber

Co-optee

Dr Geoff Jones
Vacancy Co-Optee

Notes:

- ***Date of next meeting: 13 March 2024***

AGENDA

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

To approve the minutes of the meeting held on 29 November 2023 (**AG3**) and to receive information arising from them.

4. Petitions and Public Address

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

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

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

5. Annual Governance Statement - Update on Actions (Pages 1 - 10)

On 19 July 2023, this Committee approved the Annual Governance Statement (AGS) for the year 2022/23. Local authorities are required to prepare an AGS to be transparent about their compliance with good governance principles and to give an opinion on the effectiveness of those arrangements. As part of the process, authorities are expected to highlight particular areas of focus for the year following.

The Director of Law & Governance and Monitoring Officer presented an update to Committee on 29 November 2023 on the thirteen areas of focus identified for 2023/24. This report to Committee is therefore a report on only those actions where an additional update is required.

The Committee is RECOMMENDED to receive this update on the actions from the Annual Governance Statement 2022/23 and to make any comment upon them.

6. Internal Audit 2023/24 Progress Report (Pages 11 - 50)

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

The report includes the Executive Summaries from the individual Internal Audit reports finalised since the last report to the September 2023 Committee. Since the last update, there has been one red report issued. There are no other outstanding red reports.

The Committee is RECOMMENDED to note the progress with the 2023/24 Internal Audit Plan and the outcome of the completed audits.

7. Treasury Management Strategy Statement and Annual Investment Strategy for 2024/25 (Pages 51 - 70)

The Treasury Management Strategy & Annual Investment Strategy for 2024/25 outlines the Council's strategic objectives in terms of its debt and investment management for the financial year 2024/25.

The forecast average cash balance for 2024/25 is £463m. The Council will maintain its investment in strategic pooled funds with a purchase value of £101m (22%). The remaining £362m (78%) will be managed internally with a mixture of short, medium and long-term deposits.

The Bank of England Base Rate is forecast to remain at 5.25% until autumn 2024 and reduce to 4.00% by March 2025.

UK Government Gilt yields are forecast to fall from 4.50% to 3.00% over the medium term.

Changes to the Treasury Management Strategy will be recommended to Council to be delegated to the Executive Director of Resources & Section 151 Officer in consultation with the Leader of the Council and Cabinet Member for Finance

The Audit & Governance Committee is RECOMMENDED to endorse the Treasury Management Strategy for 2024/25 as outlined in the report.

8. Financial Management Code (Pages 71 - 88)

The Chartered Institute of Public Finance and Accountancy (CIPFA) launched the Financial Management Code of Practice (FM Code) in November 2019. The FM Code was developed on behalf of the then Ministry of Housing, Communities and Local Government (MHCLG)¹, now referred to as the Department for Housing, Communities and Local Government (DLUHC) in the context of increasing concerns about the financial resilience and sustainability of local authorities.

The FM Code clarifies how Chief Finance Officers should satisfy their statutory responsibility for good financial administration as required in section 151 of the Local Government Act 1972 and emphasises the collective financial responsibility of the whole leadership including the relevant elected members.

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

Local authorities are expected to demonstrate that the requirements of the FM Code are being satisfied annually from 2021/22. The assessment is based on a view of the current financial year.

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

The report sets out the outcome of the compliance self-assessment undertaken for 2023/24 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 2023/24 (Annex 1).

9. 2022/23 Pension Fund Planning Report (To Follow)

10. Ernst & Young Update (Verbal Report)

11. Date of Next Meeting

Members to note the date of the next meeting will be 13 March 2024.

Close of meeting

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

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on **Date Not Specified** at **Time Not Specified** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

Councillors declaring interests

General duty

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

What is a disclosable pecuniary interest?

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

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

Declaring an interest

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

Members' Code of Conduct and public perception

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

Members Code – Other registrable interests

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

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

Other registrable interests include:

- a) Any unpaid directorships

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

Members Code – Non-registrable interests

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

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

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

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

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

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

Division: **ALL**

AUDIT AND GOVERNANCE COMMITTEE – 10 January 2024

ANNUAL GOVERNANCE STATEMENT 2022/23 – UPDATE ON ACTIONS

Report by the Director of Law & Governance and Monitoring Officer

RECOMMENDATION

1. **The Committee is RECOMMENDED to receive this update on the actions from the Annual Governance Statement 2022/23 and to make any comment upon them.**

Executive summary

2. On 19 July 2023, this Committee approved the Annual Governance Statement (AGS) for the year 2022/23. Local authorities are required to prepare an AGS to be transparent about their compliance with good governance principles and to give an opinion on the effectiveness of those arrangements. As part of the process, authorities are expected to highlight particular areas of focus for the year following.
3. The Director of Law & Governance and Monitoring Officer presented an update to Committee on 29 November 2023 on the thirteen areas of focus identified for 2023/24. This report to Committee is therefore a report on only those actions where an additional update is required.

Annual Governance Statement actions for 2023/24

4. The thirteen actions were:

Service area	Action
1) Directorate Scheme of Delegation: Powers and Financial Powers	To review and update all outwardly facing documentation, as well as review the location of information.

2) Cherwell-Oxfordshire Decoupling Programme	<p>Following Decoupling in 2022, Cherwell District Council and the Council agreed a way forward for continued provision of certain services between Cherwell District Council and the Council</p> <p>Where appropriate for each council, revised partnership arrangements will remain in-place within the framework of new agreements.</p>
3) HR policies	<p>To review and update the following:</p> <ul style="list-style-type: none"> • Domestic abuse- supporting employees: policy and guidance (HR and Public Health) • Sickness/supporting attendance policy and process maps • Agile working policy • Additions to pay policy (to include honorariums, market supplements) • Capability policy and procedures • Disciplinary policy and procedures
4) Governance policies and procedures	<p>To review and update the following:</p> <ul style="list-style-type: none"> • Register of interests • Gifts and Hospitality • Member representation on Outside Bodies • Social Media for Members (as part of the Council's Main Social Media Policy) • Officer guidance on executive decision making and key decisions.
5) Constitution	<p>Reconvene the Constitution Working Group and continue the review of the Council's Constitution.</p>
6) Member training	<p>To provide a further programme of Member training and briefings responding to the identified needs of Members.</p> <p>To act upon evaluation of Member feedback following training events.</p>
7) Member and officer fiduciary responsibilities and accountability, and legal status in respect of outside bodies including	<p>Review of member and officer fiduciary responsibilities and accountability, and legal status in respect of outside bodies including indemnities.</p>

indemnities.	
8) Customer feedback	<p>Customer feedback via corporate and statutory complaints and Freedom of Information requests in very important to Oxfordshire County Council.</p> <p>We will act to ensure that colleagues are fully aware of the importance placed upon responding in the appropriate timescales and that training, knowledge share and learning from customer feedback is promoted across the council.</p>
9) Current culture of dealing with information requests and the expectations of the Information Commissioner's Office (ICO)	<p>The Customer Feedback, and Governance Teams to review the joint working approach when dealing with requests for information under the Environmental Information Regulations (EIR), Freedom of Information Act (FOIA), and Subject Access Request (SAR) regimes. Teams to meet regularly to ensure the Council is working in accordance with the relevant legislation and to consult with the ICO during the year to assist with the monitoring of the Council's performance.</p>
10)Recording of decisions	<p>All key decisions and executive officer decisions are captured and recorded in a timely and transparent way.</p>
11)Proactive training for Governance	<p>Governance sessions to raise awareness and skills level within the organisation to be carried out by Head of Legal.</p>
12)Review of the Annual Governance Statement process	<p>Improved process for tracking governance concerns and completing the Annual Governance Statement.</p>
13)Financial Management Strategy	<p>The Financial Management Strategy is in development which will set out the improvements required to enhance financial management capabilities including financial management reporting structures and the development of business objects dashboard reporting.</p>

UPDATES

A Directorate Scheme of Delegation: Powers and Financial Powers

5. The updated Scheme of Delegation pages within the Constitution (7.1 and 7.2) were approved by Council on 16 May 2023 and will be published in the next Constitution update for the website.
6. Financial Powers: The Council's Finance Team are undertaking a complete update in relation to the financial scheme of delegation with the intention that going forward the schedule of authorised officers will be updated on a rolling basis rather than an annual update. The team are also working with the directorates to agree the principles of how their authorisations will work going forward and documenting directorate specific schemes of financial delegation (like a financial powers documents). This was a more significant piece of work than originally expected due to significant changes that have occurred in the organisation. As with the completion of the directorate delegated powers documents, completing the finance directorate schemes and schedules has been a time challenge.
7. Below are details of the intended outputs and our progress to date.

Output	Status	Notes	Target completion date	Revised dates
1) Update the schedules to the scheme of delegation	In progress	See details of progress below	Nov-23/Dec-23	Jan-24
2) Update the scheme of financial delegation, aligning with the updated Contract Procedure rules	In progress	Finance officers working with Governance and Legal to update the scheme	Jan-24	Jan -24
3) Update the S151 scheme of financial delegation	Completed and published		Nov-23	
4) Directorate Schemes of Financial Delegation	Part in progress	2 x sessions held with Children's, Education and Finance officers,	Dec-23	By 31 Mar-24

		review and sign off will be February following new Director review.		
		Other Directorates	By 31 Mar-24	
5) Update intranet pages	In progress	Draft pages edits – complete, pending sign off. Draft IBC (internal system) guidance – complete, pending sign off. Draft Financial Schedule update guidance, pending sign off.	Nov-23	Jan -24

8. Directorate schedules of authorised directorate officers, status is:

Directorate	Status	By when
Adults	Final draft with Director for sign off	12/1/24
Childrens	Social Care Draft and clarifications with Interim Director. Education draft to be completed	12/1/24
Environment and Place	Schedule updated to reflect recent restructure with Directorate, due to be reissued to Director	Complete
Property	Clarifications complete, final schedule to be submitted to Director	12/1/24
Resources	With Finance Business Partner/Director	12/1/24
Customer/Culture Law & Gov Public Health	Updated schedules pending	31/1/24

B Cherwell-Oxfordshire Decoupling Programme

9. The documentation had been completed as of 14 December 2023.

C HR policies to be reviewed and updated for 2023/2024

10. Agile working policy launched on 31 October 2023.

11. Domestic abuse policy and guidance now approved by unions, feedback/application in practice session with various council managers taking place in January 2024 before policy launch.
12. Sickness/supporting attendance policy has been approved by unions and is now awaiting sign off from the Council Management Team (CMT). Target date deferred to January 2024, with associated manager toolkits also due to launch by end of January 2024.
13. Additions to pay is under review. The HR Director will be taking a paper to CMT regarding market supplements.
14. The disciplinary and capability policies, and associated toolkits are due to commence development from January 2024; as such there is likely to be a delay to publication.

D Governance policies and procedures

15. Policies and procedures are due to be reviewed by 31 March 2024 to ensure that they comply with the law, promote best practice, are straightforward and are easy to use.

E Constitution

16. A further report to Council to recommend changes to the Council's Constitution to improve the effectiveness of the governance arrangements within the Council will be brought forward once the Constitution Working Group has undertaken its next tranche of work. The working group will resume in early 2024.

F Member training

17. An improved and responsive training programme reflecting the evolving requirements of elected Members will be in place by 31 March 2024.

G Review of members' and officers' fiduciary responsibilities and accountability, and legal status in respect of outside bodies including indemnities

18. It is important that the legal status of and responsibilities and accountabilities of Members are clearly understood in relation to outside bodies they are appointed to by the Council. This work is due to be undertaken in early 2024.

H Review of customer feedback

19. From April to November 2023 there has been a heightened level of engagement and communication about the complaints (statutory and corporate) process and the need to have an improved performance in terms of responsiveness and quality.
20. Actions included:

- a) A complaints (and FOI) report has been produced for each monthly Business Monitoring and Management Report (BMMR). This was reviewed, signed off and owned at Council Management Team (CMT) level. On a bi-monthly basis, the report is also taken to Cabinet.
 - b) On 5 July 2023, the Director for Customer Experience and Cultural services wrote to all Extended Leadership Team (ELT) colleagues requesting the cascade of the message to all colleagues to improve the current responsiveness rates; this was followed by articles in the Managers' Briefings and on the intranet.
 - c) On 30 July 2023, the Director for Customer Experience and Cultural Services wrote to all ELT colleagues asking for them to provide feedback on the draft revised complaints process.
 - d) In November 2023, the newly updated complaints policy was launched.
21. In addition, the Customer Feedback team have provided the following information:
- a) Stage 1 training has been provided for Children's Social Care. There were around 90 attendees, and a further session took place at the end of November for those staff unable to attend the original training.
 - b) The Customer Feedback Team is working closely with the Partnership Youth Development Manager to support stage 1 responses within the relevant timeframe.
 - c) Work is being undertaken with Head of The Multi-agency Safeguarding Hub (MASH)/front door to provide a face-to-face training session on the quality of responses. This training will be rolled out in early 2024 and will become mandatory in future.
 - d) The team have provided Statutory Stage 2 training to SEND colleagues to provide an overview of the process should any complaints become part of the statutory process.
 - e) The team have created guidance to support staff with writing responses until the they are able to provide in-person training.

I Review the current culture of dealing with information requests and the expectations of the Information Commissioner's Office (ICO)

22. Six-monthly meetings have taken place with an ICO Case Worker to assist in the understanding of the Council's performance against other similar authorities. A further meeting with the ICO is scheduled to take place in January 2024.
23. The table below details the number of enquiries received from the ICO relating to complaints about the Council's handing of requests so far for 2023/2024. Data for the previous four years has also been included for comparison.

	2023/2024 (as at 19/12/2023)	2022/ 2023	2021/ 2022	2020/ 2021	2019/ 2020
Number of ICO enquiries received	17	13	1	1	0
Number of decision notices issued	5	3	1	0	0
Number of decision notices issued: Upheld	3	2	1	0	0
Number of decision notices issued: Partly Upheld	2	0	0	0	0
Number of decision notices issued: Not Upheld	0	1	0	0	0

24. Please note that the ICO's approach is to try and resolve informally rather than to take through the formal process and issue a decision notice; this is reflected in the above figures.

J Recording of decisions

25. A paper was taken to the Council Management Team (CMT) setting out the approach to key decisions and officer decision notices. This detailed the need for consistency in decision making and reminded colleagues of the importance of making and retaining records of officer decisions where such matters were not taken before a political decision maker. Internal communications regarding the approach to key decisions has been publicised and guidance added to the intranet. A similar exercise is now required for officer decision notices.

K Proactive training for governance

26. Following a review of the Governance policies, training will be put in place including raising awareness about the Council's whistleblowing process and amended policy.

L Review of the Annual Governance Statement (AGS) process

27. Complete. The Director of Law and Governance presented the AGS process to the Council Management Team (CMT) on 5 December 2023.

M Financial Management Strategy

28. The Financial Management Strategy action has been integrated into the Business Services Transformation Programme (BST). This new programme which is running for 12 months, until October 2024 is reviewing Financial Management, Procure to Pay and HR activities performed across the Council, focusing on improvements in three key themes; People Change (roles and responsibilities, training); Process Improvement; Data and Reporting.

29. A Programme Board headed by the Executive Director of Resources is established and this will report to the Strategic Transformation Board as a priority A programme. This programme of change will run for 12 months, ending 31 October 2024.

Financial implications

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

Legal implications

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

Equality and inclusion implications

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

Anita Bradley

Director of Law and Governance & Monitoring Officer

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

January 2024

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ITEM 6

AUDIT and GOVERNANCE COMMITTEE 10 JANUARY 2024

INTERNAL AUDIT 2023/24 PROGRESS REPORT

Report by the Executive Director of Resources

RECOMMENDATION

1. The Committee is RECOMMENDED to

Note the progress with the 2023/24 Internal Audit Plan and the outcome of the completed audits.

Executive Summary

2. This report provides an update on the Internal Audit Service, including resources, completed and planned audits.
3. The report includes the Executive Summaries from the individual Internal Audit reports finalised since the last report to the September 2023 Committee. Since the last update, there has been one red report issued. There are no other outstanding red reports.

Progress Report:

Resources:

4. A full update on resources was made to the Audit and Governance Committee in May 2023 as part of the Internal Audit Strategy and Plan for 2023/24. Since then we have continued with our efforts to try and recruit to our two Senior Auditor vacancies, which has been unsuccessful. We did appoint a temporary Senior Auditor to assist with the completion of quarter 4 activity, however unfortunately they withdrew two weeks before starting. Also during quarter 3 our Auditor resigned and left. At the start of quarter 4 one of the Principal Auditors commences her maternity leave. This has meant that we have needed to make some amendments to the 2023/24 internal audit plan which are reported on in paragraph 7 and appendix 1 below.
5. Due to the ongoing significant difficulties with recruitment of skilled internal audit staff, the decision has been made to withdraw the provision of internal audit and counter fraud services to Cherwell District Council

from next financial year. Notice was given to Cherwell District Council at the end of October 2023, and it was agreed we would cease to provide these services after the end of April 2024. With the current staffing position we are unable to resource delivery of the audit plans across both Councils. The Audit Working Group were briefed on this decision at the 8 November 2023 meeting and all members of the Audit and Governance Committee were emailed by the Chief Internal Auditor. As a result of ending this service we will lose a Senior Auditor post from our structure from 1 April 2024, however this is currently one of our vacant posts so has no impact on the current staff. There will be no amendment or reduction to the Counter Fraud Team posts.

6. We also have two current apprenticeship posts within the team, one for Counter Fraud and one for Internal Audit. In line with our continued “growing our own” strategy we are planning to start the recruitment for a new Internal Audit Apprentice during February 2024, with the aim of them starting in September 2024.

2023/24 Internal Audit Plan:

7. The 2023/24 Internal Audit Plan, which was agreed at the May 2023 Audit & Governance Committee, is attached as Appendix 1 to this report. This shows current progress with each audit and amendments made to the plan. The plan and plan progress is reviewed quarterly with senior management. There are three audits which we have deferred until the 2024/25 plan, two of which we will undertake in quarter one of 2024/25. There has also been a recent request to undertake a primary school audit which will likely be scheduled for February 2024. These amendments have been agreed with the Executive Director of Resources.
8. There have been four 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 2023/24:

Directorate	2023/24 Audits	Opinion
CODR	Corporate and Statutory Complaints	Amber
CODR	Cyber Incident Preparedness and Response Review	Green
Children’s	Placements Contract Management and Quality Assurance	Amber
CODR	Physical Security Systems	Red

PERFORMANCE

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

Performance Measure	Target	% Performance Achieved for 23/24 audits (as at 18/12/23)	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)	71%	Previously reported year-end figures: 2022/23 71% 2021/22 59% 2020/21 50%
Elapsed Time for completion of audit work (exit meeting) to issue of draft report.	15 days	86%	Previously reported year-end figures: 2022/23 89% 2021/22 86% 2020/21 88%
Elapsed Time between receipt of management responses to draft report and issue of final report.	10 days	100%	Previously reported year-end figures: 2022/23 92% 2021/22 66% 2020/21 80%

The other performance indicators are:

- % of 2023/24 planned audit activity completed by 30 April 2024 - reported at year end.
- % of management actions implemented (as at 18/12/23) – 74.6% of actions have been implemented. Of the remaining 25.4% there are 5.7% of actions that are overdue, 6.8% partially implemented and 12.9% of actions not yet due.

(At September 2023 A&G Committee the figures reported were 73% implemented, 4% overdue, 5% partially implemented and 18% not yet due)

- % of repeat findings/actions (relative to the number of actions raised within the year) – reported at year end.
- Extended Management Team satisfaction with internal audit work - reported at year end.

Appendix 3

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

As at 11/12/23, there were 62 actions that are not yet due for implementation (this includes actions where target dates have been moved by the officers responsible), 35 actions not implemented and overdue and 42 actions where partial implementation is reported.

External Assessment of Internal Audit – November 2023

10. Internal audit within the public sector is governed by the Public Sector Internal Audit Standards (PSIAS). It is a requirement of the standards for each public sector internal audit provision to be subject to an external assessment against those standards every five years. Ours was completed in November 2023 by an assessor from Cipfa (Chartered Institute of Public Finance and Accountancy).
11. The results of the assessment were very positive, with an overall conclusion that Oxfordshire County Council's Internal Audit Service FULLY CONFORMS to the requirements of the standards. There were no areas of either partial or non-conformance with the standards identified and no recommendations arising. The full report was circulated to members of the Audit & Governance Committee on 27 November 2023 and has been included within Appendix 4 of this report.
12. There were six advisory issues included within the assessor's report, five related to matters of good practice and one was a generic issue relating to the future of the standards. All of these advisory issues are already in progress or are now being considered and will be actioned.

Counter-Fraud

13. The next counter fraud update to Audit & Governance Committee is scheduled for March 2024.

Financial Implications

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

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

Legal Implications

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

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

Staff Implications

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

Equality & Inclusion Implications

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

Sustainability Implications

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

Risk Management

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

Lorna Baxter, Executive Director of Resources

Annex: Appendix 1: 2023/24 Internal Audit Plan progress report
Appendix 2: Executive Summaries of finalised audits since last report.
Appendix 3: Summary of open management actions.

Appendix 4: External Assessment of Internal Audit
– Final Report, November 2023

Background papers:

Nil

Contact Officers:

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

January 2024

APPENDIX 1 - 2023/24 INTERNAL AUDIT PLAN - PROGRESS REPORT

Directorate / Service Area	Audit	Planned Qtr Start	Status as at 18/12/23	Conclusion
Cross cutting	Transformation - Programmes & major projects.	Q3	Deferred to 24/25 – see below	n/a
Cross cutting	Business Continuity	Q1	Final Report	Amber
Cross cutting	Strategic Contract Management	Q3	Deferred to 24/25 – see below	n/a
Cross Cutting	Risk Management – directorate / service level	Q3	Fieldwork	
Cross cutting	Joint Internal Audit & Counter Fraud proactive review - Procurement Cards	Q2	Fieldwork	
Cross cutting	Joint Internal Audit & Counter Fraud proactive review - Expenses	Q3	Scoping	
Childrens	Placements – Contract Management / Quality Assurance	Q1	Final Report	Amber
Childrens	Transformation Programme – including Financial Management	Q3	Scoping	
Childrens	Independent Reviewing Officers	Q4	Planned for qtr 4	
Childrens	Supported Families	Ongoing / quarterly	Ongoing	-
Adults	Payments to Providers	Q1/Q2	Fieldwork	
Adults	Health Funded Payments	Q2	Fieldwork	
Adults	Safeguarding	Q4	Scoping	
Adults	Income and Debt Recovery	Q3	Fieldwork	

Customers & Organisational Development – Customer Services	Corporate & Statutory Complaints	Q1	Final Report	Amber
Customers & Organisational Development – Property & FM	Property Health & Safety	Q1/Q2	Draft Report	
Customers & Organisational Development – Property & FM	Property Strategy Implementation	Q4	Deferred to 24/25 – see below	
Customers & Organisational Development – IT	IT Incident Management	Q3/Q4	Draft Report	
Customers & Organisational Development – IT	Cyber – Incident Preparedness and Response	Q2	Final Report	Green
Customers & Organisational Development – IT / Property & FM	Physical Security Systems – Building Access Controls & CCTV System	Q3/Q4	Final Report	Red
Customers & Organisational Development	I-Hub Governance and Project Management	Q3	Scoping	

Finance	Pensions Administration	Q3/Q4	Fieldwork	
Finance	Pensions Administration – IT Application Audit	Q2	Final Report	Amber
Finance	Feeder System Controls	Q2/Q3	Fieldwork	
Legal	Case Management	Q3	Fieldwork	
Public Health / Cross Cutting	Pandemic Preparedness	Q1	Combined with Business Continuity Audit	-
Environment & Place	Supported Transport	Q3	Scoping	
Environment & Place	Parking Contract – Contract Management	Q1	Final Report	Green
Environment & Place	Local Transport Connectivity Plan	Q3/Q4	Fieldwork	
Environment & Place	S106 – New IT System	Q2	Fieldwork	
Grant Certification	<ul style="list-style-type: none"> • Business in Rural Oxfordshire Airband • Business in Rural Oxfordshire BT • Better Broadband for Oxfordshire • Top-up Vouchers • Gigahubs • Local Authority Bus Subsidy (Revenue) Grant • Disabled Facilities Grant • Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance Blocks) • Local Transport Capital Block Funding (Pothole Fund) • Homes Upgrade Grant, Phase 1 	Complete	-	-

Amendments to the 2023/24 Internal Audit Plan:

Directorate / Service Area	Audit	Amendment
Cross Cutting	Transformation Programmes & Major Projects	As part of the new ways of working of delivering the future together, a new portfolio approach is being implemented to manage programmes and major projects. Each portfolio will provide the structure and governance for the transformation activity. A new Data, Insights and Delivery Hub is being established which includes the creation of a new PMO (Project Management Office). Due to the significant work now being undertaken in this area it has been agreed with the Executive Director of Resources that the audit will be deferred and considered for inclusion in the 2024/25 internal audit plan, which would review the effectiveness of the new arrangements and processes implemented.
Customers & Organisational Development – Property & FM	Property Strategy Implementation	Due to being unable to fill the Senior Auditor vacancies, the resignation of the Auditor (left end of November 2023), the temporary Senior Auditor who was due to start December 2023 but withdrew at short notice, and the Principal Auditor being on maternity leave from January 2024, it is necessary to defer this audit for 3 months. Instead of planned completion in quarter 4 of 2023/24, these will instead commence at the start of quarter 1 as part of the 2024/25 internal audit plan.
Cross Cutting	Strategic Contract Management	Due to being unable to fill the Senior Auditor vacancies, the resignation of the Auditor (left end of November 2023), the temporary Senior Auditor who was due to start December 2023 but withdrew at short notice, and the Principal Auditor being on

		maternity leave from January 2024, it is necessary to defer this audit for 3 months. Instead of planned completion in quarter 4 of 2023/24, these will instead commence at the start of quarter 1 as part of the 2024/25 internal audit plan.
School	Primary School Audit	At the request of Childrens, there will be a primary school audit undertaken in February 2024. The addition to the internal audit plan has been agreed with the Executive Director of Resources.

APPENDIX 2 - EXECUTIVE SUMMARIES OF COMPLETED AUDITS

Summary of Completed Audits since last reported to Audit & Governance Committee September 2023.

Corporate & Statutory Complaints 2023/24

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
Policies & Procedures	A	0	7
Corporate & Statutory Complaints Process	A	0	5
Management Information	A	0	1
		0	13

Opinion: Amber	
Total: 13	Priority 1 = 0 Priority 2 = 13
Current Status:	
Implemented	2
Due not yet actioned	0
Partially complete	0
Not yet Due	11

During 2021, as part of the customer service transformation programme, the Voice of the Customer Team took over complaints management across the Council. Following on from this, a complaints recovery plan was introduced to manage the back log of complaints and a review of data management, process, policies and team structure was undertaken. In the second half of 2022 a new staffing structure was introduced along with refreshed processes and the implementation of a complaints management system (Infreemation).

The Customer Feedback Team act as the corporate lead and work with service areas to ensure resolution of new complaints effectively in accordance with the required timescales and have been responsible for working with directorates who investigated and resolved the backlog of complaints (mostly in relation to the children's service and education). There has been significant progress in reducing the backlog of complaints, with work ongoing to improve the quality and timeliness of complaint responses.

Additional funding has recently been agreed to increase team resources, this will enable the team to reduce the use of agency staff and progress additional

areas of development and embed new processes. It has also been reported that the team are participating in a new initiative, an Accountability Performance Improvement and Innovation Clinic, which will involve working with an in-house team to look at the complaints process across the Council in order to identify areas of success or development need and drive further service improvements in these areas. Initial areas to be reviewed include data quality and complaints culture.

Policies & Procedures

A lot of work has been done within the Voice of the Customer and Customer Feedback teams to review and refresh processes in relation to complaints management. However, there is a need to update the documented guidance available for council staff and the public. This is acknowledged by the team, with review and updating of current content underway.

Website information available for the public and intranet guidance for staff in service areas requires updating. Documented guidance is in place for the Customer Feedback Team covering the main processes, however there were some areas where the audit noted that this could be further enhanced (for example, clear guidance on the quality assurance processes now in operation in relation to complaints responses). It is noted that there is training available for council staff, which focusses on dealing with complaints and communicating effectively. However, availability is limited and the content, whilst helpful in promoting effective complaints management, is generic, and doesn't cover Council specific processes or use actual examples of cases to promote best practice. It is noted from the Monitoring Officer's response to the Audit & Governance Committee from September 2022 and September 2023 to the two most recent Local Government & Social Care Ombudsman's (LGSO) Annual Review Reports, that this is an area of continued focus and development for the team.

Corporate & Statutory Complaints Process

Improvements to the complaints management process were noted, following the review and refresh of processes, a quality assurance process was introduced whereby the responses to complaints are reviewed and signed off by the responding manager's manager and by the relevant Customer Feedback Officer / Statutory Social Care Complaints Officer prior to being issued. However, whilst this introduces challenge and should improve the quality of response, the review and sign off process is not currently being documented / evidenced consistently which makes it difficult to confirm that the new process is fully embedded.

Review and testing of the complaints management process identified that whilst the new system introduced at the end of 2022 has enabled the team to move away from old spreadsheet-based systems for the monitoring and co-ordination of the complaints response process, there are some reliability issues with the new system which require resolution. Problems with reliability of system inputs and outputs and presentation issues with complaints related communications have resulted in workarounds, inefficiencies and additional staff effort. There is an ongoing project in place with the service working with the developer and ICT

to log and track these issues and find resolutions. Senior management within the service are aware of these issues and are in the process of sourcing an alternative system. A Management of Unreasonable Customer Behaviour Policy was introduced in 2022. This provides a centralised way of tracking and managing communications with these customers. There is work ongoing to ensure that relevant service areas are informed of customers being managed under this policy in a timely and efficient way so that any communications can be directed to the relevant officer.

Management Information

There is routine monitoring and reporting on the timeliness of response to complaints, with KPI's in place for both corporate and statutory complaints. It is widely acknowledged that the council's corporate performance in this area has not been at the required level, however recent reporting reviewed has shown significant improvements in clearing the backlog of complaints and in responding in a more timely manner to new complaints.

In addition to monthly performance reporting to senior management, currently via CMT, there is also quarterly reporting to Adults and Children's Directorate Leadership Team meetings which provides information on key areas including the level of complaints received, timeliness of response as well as key themes and complaints categories to assist management in being able to identify and remedy the causes of complaints received. An annual report is also produced for these two directorates.

It has been evidenced that the Customer Feedback Team are working closely with key service areas to provide support and have reduced backlogs and improved responses times. The team have focussed on areas where levels of complaints / backlogs have been highest. For example, there have been weekly reports produced and circulated up to Deputy Director level within the Children's directorate to provide ongoing information on the status of outstanding complaints. It is noted that the service have reported that they are expecting a significant increase in stage 2 and 3 statutory complaints.

Testing on the accuracy of performance reporting noted that there were examples where it was not possible to confirm the accuracy of the figures reported. This included manual calculations where evidence of the calculation wasn't retained, examples where figures had been added up incorrectly (these were not material differences) and examples where there had been adjustments which could not be evidenced. It is acknowledged that reporting arrangements and system capabilities are still in the process of being developed.

Cyber Incident Preparedness and Response Review 2023/24

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
Threat Warnings and Notifications	G	0	0
Incident and Breach Detection	A	0	2
Incident Response Team	G	0	0
Response Plan	G	0	0
Post Incident Analysis	G	0	0
Testing	G	0	0
		0	2

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

IT, Innovation and Digital (ITID) have a cyber incident response capability, which includes a documented plan and access to specialist third-party cyber incident response services. The cyber incident response plan has been significantly improved since we last reviewed it 12 months ago. There are systems in place that log security events and alert members of the IT team to any potential threats. Incident detection can be further improved by formalising corporate requirements for logging and monitoring and also centralising log data so that information can be analysed more quickly.

Threat Warnings and Notifications:

ITID subscribe to various reputable information sources for an early warning on any new security threat or vulnerability. This includes the National Cyber Security Centre (NCSC), NHS England and the South East WARP (Warning, Advice and Reporting Point). Threat detection is also available on internal technical security solutions.

Incident and Breach Detection:

Security events are logged and email alerting of events is in place. A review of the email alerts confirmed they are setup to be received by more than one person, ensuring there is no key person dependency. Log files are retained for six months in accordance with PSN requirements. The areas for control improvement include having a formal logging and monitoring policy setting out corporate requirements and centralising log files that are currently retained on source systems. Centralised logging is included in the ITID Strategy 2019-24 but timescales for addressing it are not defined.

Incident Response Team:

An incident response team is identified to manage the response to a cyber incident and includes an incident manager, technical lead and various technical roles. In March 2023, an agreement was put in place with a third-party, who are part of the NCSC assured cyber incident response scheme, to provide specialist incident support services on a call-off basis.

Response Plan:

There is a documented Cyber Incident Response Plan (CIRP), which has playbooks for high-risk cyber threats, such as ransomware, phishing and account compromises. The plan includes a severity matrix to help categorise incidents based on certain criteria and references to other key documents, such as the IT Major Incident Policy and the IT Business Continuity Plan.

Post Incident Analysis:

The requirement for a post incident analysis is included within the CIRP and it has been performed for two incidents that occurred earlier in the year, one of which was found to be a false positive.

Testing:

The two incidents highlighted above served as a real test of the CIRP within the last 12 months. ITID are aware of the need to test the plan annually.

Children's Placements Contract Management and Quality Assurance 2023/24

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
A: Governance & Oversight	A	0	3
B: Contract Management & Quality Assurance Processes	A	0	13

C: Management Information	A	0	0
		0	16

Opinion: Amber	
Total: 16	Priority 1 = 0 Priority 2 = 16
Current Status:	
Implemented	0
Due not yet actioned	0
Partially complete	0
Not yet Due	16

The Quality Improvement Team is responsible for working with care providers across all age groups and types of service provision to ensure they are providing good quality services to the residents of Oxfordshire. For Start Well, the focus of this audit (specifically children’s social care), this includes monitoring providers, as well as working with other teams and organisations to improve and ensure the quality of care. This audit therefore reviewed the robustness and effectiveness of the quality assurance processes over the providers in this area.

The audit found good evidence of investigations into concerns being carried out promptly and appropriately, engaging with and updating other teams within the Council as necessary. It was also found that for some areas of weakness noted, including team guidance and development of the Provider Directory (a portal used to hold and share information about providers), had already been identified by the service, with action underway to improve such processes.

Other weaknesses identified include the documenting of evidence and outcomes relating to monitoring activity, and the timeliness and recording of pre-placement checks being carried out for new providers.

Governance & Oversight

From review of guidance available to staff it was positive to note that the key high-level guidance documents (the Quality Improvement Protocol (a guidance document available to all staff and external providers, outlining how the Council monitor services) and the Children’s Monitoring Protocol (which sets out roles and responsibilities across teams for monitoring children’s placements)), have recently been reviewed and updated, covering all expected areas. Work is now underway to document key processes sitting below this.

It was noted that work has been ongoing regarding assignment of roles and responsibilities between the Quality Improvement Team and the Procurement Hub in regard to contract management (an area of weakness identified in previous audits). The services are now reporting the development work has moved to a business-as-usual programme, with both formal and informal

arrangements to work through shared challenges, areas for clarification, and regular contact in general.

The audit looked at the Placement Review Panel, which operates to provide oversight and monitoring of providers and the safety and quality of placements, confirming expected areas are covered, and actions are recorded and followed up. However, while this Panel has recently adapted its focus following developments within HESC, it was highlighted there is still a gap in terms of information sharing across certain groups within the Council. For example, Health & Safety, Corporate Finance, and HR are not involved in any forum regarding the quality of children's placements, limiting the opportunity to ensure the appropriate flow of information between services, to enable insight into risks, trends, and share best practice.

Contract Management and Quality Assurance Processes

Review of routine monitoring activity carried out by the Quality Improvement Team of providers over the past year acknowledged the risk-based approach taken to contract management, whereby block providers undergo routine contract monitoring, framework providers are monitored by the host authority (Bournemouth, Christchurch and Poole Council), and spot providers (who make up the majority of the volume of placements) are monitored on a more ad-hoc, reactive basis.

For the block providers, while regular meetings and visits carried out by the team could be demonstrated, it was found annual compliance checks, as stated in the contract, have not been carried out consistently, with confirmation of insurance last checked in 2019 and 2021 for the two block providers sampled, and business continuity plans last obtained and reviewed in 2020.

For the spot providers, where the majority of work carried out by the team is reactive, efforts were made at the beginning of the year to have all providers complete a self-assessment around their quality and monitoring practices. Response rates for this were less than 2%, and work is now underway to explore other options to engage with providers in more meaningful way.

All providers should now be included on the Provider Directory, assigned a RAG rating, and detail any pre-placement checks that have been carried out. This allows relevant teams across the Council to access information on the provider, including any restrictions on making placements. Sample testing across the audit identified instances of providers not being included on the directory, not including information around completed checks, and various inconsistencies surrounding RAG ratings (e.g., not being assigned RAG ratings, inconsistent ratings against other information held by the team, and delays in updating assigned ratings).

In terms of reactive work (for example responding to safeguarding concerns or poor Ofsted ratings), sample testing confirmed the team are responding to issues promptly, with visits carried out, reports issued, and actions plans agreed as necessary. From review of the Children's Social Care information system (LCS) it was possible to demonstrate Social Care Teams are being informed

throughout the process. Weaknesses were noted in the recording of some decisions made and action taken, with one provider moving from a Red to Amber RAG rating, with no evidence provided or saved to the provider's file to support the change. Inconsistencies were also noted in documenting files, with different approaches taken dependent on the type of contract, and routine reports such as Ofsted or Reg 44s not always saved to the provider's file.

The audit testing carried out also reviewed whether new providers had undergone appropriate background checks prior to care placements being made, a responsibility of the Quality Improvement Team following requests by Brokerage. This identified several instances in which checks had not been requested, with sample testing also often finding placements had commenced prior to completion of the checks.

For internally run provisions (i.e., OCC children's residential and assessment homes and OCC foster carers), quality monitoring processes in place were found to be operating effectively. A review of processes within the Fostering Service confirmed appropriate assurance is obtained around completion of supervisions, visits, household reviews, and quality assurance audits. For the homes, it was found Reg 44 visits are being routinely commissioned and reported on by an independent party, in line with The Children's Home Regulations 2015.

Management Information

During the 2022/23 Internal Audit of Adults Contract Management & Quality Assurance, it was noted that currently there is no routine performance reporting in place within the Quality Improvement Team. It was reported to Internal Audit that this is a known area for development, and that the team has been working with IT to develop dashboard reporting. An action was therefore agreed as part of that audit for the development of performance dashboards to allow oversight across the Quality Improvement Team's activities, covering all areas of HESC. The agreed date for implementation date for this action is 31 December 2023. Given the risk based / reactive approach taken to monitoring spot providers and resulting reliance on other teams sharing identified concerns with the Quality Improvement Team, the audit also considered the availability of management information within Children's Social Care in terms of compliance with statutory responsibilities, such as Children We Care For Reviews.

This confirmed a variety of reports are run on a routine basis by the Performance Information Team, providing senior management within Children's Social Care with appropriate information to obtain assurance that statutory duties are being met (in turn allowing any concerns to be identified and shared), or, where they are not, sufficient detail to allow escalation of that specific case.

Physical Security Systems 2023/24

Overall conclusion on the system of internal control being maintained	R
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Corporate Policy	R	0	2
Building Access Security	R	1	3
CCTV Systems	R	0	7
Third-Party Services	A	0	1
		1	13

Opinion: Amber	
Total: 14	Priority 1 = 1 Priority 2 = 13
Current Status:	
Implemented	1
Due not yet actioned	0
Partially complete	0
Not yet Due	13

Physical security is important for protecting corporate assets and to ensure the safety of staff and visitors at all corporate sites. This review focused on two specific aspects of physical security, namely building access control and the operation of closed circuit television (CCTV). A number of key risks have been identified in both areas, including that corporate CCTV systems are not being operated in compliance with data protection legislation.

Corporate Policy:

There is no formal documented policy on building access security. There is a draft version of a CCTV Policy that was developed in February 2023 however this has not been finalised, as ownership has not been confirmed. Formal policies are required for both areas to ensure minimum security standards and requirements are clearly defined, including roles and responsibilities.

Building Access Security:

An electronic door management system is used to control access at all main sites. Each site has a number of zones and people are given access to one or more zones depending on their requirements. The Facilities Management (FM) team manage access at all managed sites and administrators are nominated at all other sites. The door management system logs all access so that security incidents can be investigated if required.

We have identified risks with the management of the door access system, including how access is granted/revoked and the high number of overall system administrators. There are also risks with the way access is setup at certain sites, including a main office building and an establishment, which could allow unauthorised access to secure/restricted areas.

CCTV Systems:

CCTV is operated at a number of corporate sites. There are no formally documented procedures governing the use of CCTV and overall management responsibility for systems has not been assigned. As CCTV systems capture images that can identify people they are deemed to process personal data and are subject to data protection legislation. Current CCTV systems are not being operated in accordance with the requirements of the Data Protection Act 2018/UK GDPR. For example, a Data Protection Impact Assessment (DPIA) is not performed before new CCTV systems are installed, signs are not clearly displayed where CCTV is being used and a retention period has not been agreed for recordings.

A maintenance contract for CCTV systems was awarded to a new supplier in May 2023 and includes a six monthly check of all systems. The maintenance visits have slipped due to issues with the supplier's performance. This has been raised with the supplier and is being managed by FM and hence no further action is included in the report.

Third-Party Services:

There is a formal contract with a third-party for servicing and maintaining CCTV and intruder alarm systems and it was confirmed they are certified to a recognised electronic security systems scheme. Other security services, such as lock/unlock, man-guarding and retrieving CCTV recordings, are sourced from another supplier. They were confirmed to be SIA (Security Industry Authority) accredited but a copy of the formal contract could not be located at the time of the review and hence we are unable to confirm that one is in place and that it includes defined service levels.

APPENDIX 3 – As at 18/12/2023 - all audits with outstanding open actions
(excludes audits where full implementation reported):

Report Title	ACTIONS						Not Due for Implementation	Not Implemented	Partially Implemented
	RISK CATEGORY			IMPLEMENTED					
	1	2	Total	1	2	Total			
OCC Business Cont 23/24	2	17	19	-	5	5	12	-	2
OCC Childrens Finances 22/23	0	12	12	-	4	4	4	1	3
OCC Children's Placements CM & QA 23/24	0	17	17	-	-	-	17	-	-
OCC Client Charging and Prov Payments 2019/20	0	21	21	-	20	20	-	-	1
OCC Climate Audit 22/23	5	12	17	1	4	5	4	5	3
OCC Controcc Payments 19/20	4	18	22	4	17	21	1	-	-
OCC Controcc Payments 2122	0	9	9	-	6	6	-	2	1
OCC Corp & Stat Complaints 23/24	0	13	13	-	2	2	11	-	-
OCC Covid Payments Audit 2020/21 – 85% Transport Payments	0	5	5	-	1	1	4	-	-
OCC Cyber Prep and Response 23/24	0	2	2	-	-	-	1	1	-
OCC Cyber Security (Ransomware) 22/23	1	6	7	1	5	6	-	1	-
OCC Direct Payments 22/23	0	11	11	-	5	5	-	-	6
OCC Educ IT System – processes 22/23	0	5	5	-	3	3	-	-	2
OCC Five Acres School 21/22	2	9	11	2	8	10	-	-	1
OCC Fleet Mgmt Compliance 21/22	0	5	5	-	4	4	-	-	1
OCC FM Follow up 22/23	0	13	13	-	8	8	-	5	-
OCC Gartan Payroll 21/22	1	34	35	1	29	30	3	-	2
OCC GDPR 21/22	1	11	12	1	8	9	1	2	-
OCC HR Contract Management 22/23	0	1	1	-	-	-	-	-	1
OCC HR Employee Relations 22/23	0	2	2	-	1	1	1	-	-
OCC LAS IT Application 22/23	0	9	9	-	8	8	1	-	-
OCC Leases 22/23	0	10	10	-	6	6	-	-	4
OCC Longfields School 22/23	2	31	33	2	19	21	1	10	1
OCC M365 Cloud 22/23	0	11	11	-	8	8	1	-	2
OCC Music Service Follow Up 22/23	0	17	17	-	16	16	-	-	1

OCC Payments to Providers 21/22	0	6	6	-	5	5	-	-	1
OCC Pensions Admin 21/22	0	5	5	-	4	4	1	-	-
OCC Pensions Admin 22/23	0	3	3	-	-	-	-	-	3
OCC Pensions Admin IT App 23/24	0	6	6	-	2	2	1	3	-
OCC Provision Cycle 2021/22	0	19	19	-	17	17	2	-	-
OCC Risk Management 20/21	0	14	14	-	12	12	-	-	2
OCC S106 21/22	0	6	6	-	1	1	4	-	1
OCC SEND 2020/21	14	27	41	14	26	40	-	-	1
OCC SEND follow up 22/23	1	5	6	-	3	3	3	-	-
OCC Shared Lives 22/23	0	8	8	-	7	7	1	-	-
OCC Thomas Reade School 22/23	4	34	38	4	32	36	-	1	1
OCC YPSA 22/23	1	18	19	1	9	10	3	4	2
Purchasing (inc Acc Payable) 2017/18	0	2	2	-	1	1	1	-	-
Samuelson House 2018/19	0	5	5	-	4	4	1	-	-
TOTAL	38	459	497	30	307	337	79	35	42

APPENDIX 4

External Quality
Assessment of
Conformance to the
Public Sector Internal
Audit Standards

Table of contents

Section	Title	Page
1	Introduction	3
2	Background	3
3	Validation process	4
4	Opinion	5
5	Areas of full conformance	6
6	Areas of partial conformance	11
7	Areas of no conformance	11
9	Issues for management action	11
10	Definitions	13
11	Disclaimer	14

1. INTRODUCTION

- 1.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments (EQA), or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the Internal Audit Service's own self-assessment at least once in a five-year period.

2. Background

- 2.1 The Internal Audit Service provides the internal audit services to Oxfordshire County Council and around 200 days to Cherwell District Council. The Chief Audit Executive is the Council's Chief Internal Auditor (CIA). Below the CIA post is an Audit Manager, two Principal Auditors, two Senior Auditor posts (both of which were vacant at the time of the EQA), an Auditor and an Assistant Auditor. The Services structure chart shows the CIA post as being 0.7 of a full time equivalent (FTE), the Audit Manager post as being 0.8 of an FTE, and one of the Principal Auditor posts as being 0.6 of an FTE. The rest of the posts all appear to be FTEs. Given the fact that Internal audit is providing services to other local authorities, this appears to be quite a lean structure. However, since we undertook the field work for this EQA, the CIA has advised us that they have secured the services of a temporary Senior Auditor until at least the end of the financial year and have commenced the recruitment processes for the two vacant Senior Auditor posts. We have also been advised that a recruitment process for an audit apprentice will commence early in 2024. The CIA is however aware that there is a dire shortage of experienced and/or qualified internal auditors across the country and as such they may not be successful in filling the vacant posts. With this in mind it would be prudent to develop a mid/long term resourcing strategy for the Service and we have included this as an advisory action in section 8 of the report.

In addition to the in-house team, the Service uses some external partners and has contracts in place with a specialist IT Auditor for the provision of one hundred days of IT audit per annum, and a separate contract with a major accountancy firm for the delivery of specific audit reviews and, when needed, additional general audit resources for the Service to use and manage.

- 2.2 The CIA is an experienced internal audit professional who is a Chartered Internal Auditor. The Audit Manager is also an experienced internal audit professional and is also a Chartered Internal Auditor. The two Principal Auditors are both experienced and are also Chartered Internal Auditors. The Auditor and Assistant Auditor are both undertaking training for a relevant internal audit qualification.

- 2.3 From an operational perspective, the Internal Audit Service is part Oxfordshire County Council's Resources Directorate, with the CIA being line managed by the Assistant Director of Finance with direct reporting lines to the Council's Executive Director of Resources (the Section 151 Officer) and to the Chair of the Audit and Governance Committee. The CIA meets regularly with the Executive Director of Resources and the Council's Director of Law and Governance (the Monitoring Officer) and has direct access to the Council's Chief Executive.
- 2.4 For Cherwell District Council, the CIA reports directly to the Assistant Director of Finance (the Council's Section 151 Officer) and meets regularly with him. The CIA also meets with the Council's Chief Executive Officer, the Monitoring Officer, and the Chair of the Accounts, Audit and Risk Committee. However, we understand from the CIA that since we completed the field work stage of the EQA, the Service has now given notice to Cherwell District Council that they intend to end the arrangement with them at the end of the 2023/24 year.
- 2.5 The Internal Audit Service has been operating under PSIAS since its launch in 2013, and this is the second external quality assessment (EQA) that they have commissioned, the previous one being in 2018 and was also undertaken by CIPFA.
- 2.6 Internal Audit has an audit manual that provides the auditors with a comprehensive guide to all aspects of performing an internal audit or consultancy assignment and is cross referenced to the PSIAS and the LGAN. The Service uses standard templates for all terms of reference, engagement working papers, testing schedules, and audit reports, with completed documents retained in the Service's dedicated network drive. Supervision of the engagements takes place at every stage of the process and is recorded on the appropriate documentation.
- 2.7 There is a quality assurance process in place that includes internal and external quality assessments of the Service, reviews of live engagements, a post-audit client feedback survey, and final clearance of all completed reports by either the CIA or the Audit Manager, all of which feed into the Internal Audit Service's Quality Assurance and Improvement Programme (QAIP).

3. Validation Process

- 3.1 This validation of the Service's self-assessment comprised a combination of a review of the evidence provided by Internal Audit; a review of a sample of completed internal audits; a survey that was sent to and completed by a range of stakeholders; and interviews with key stakeholders, using MS Teams. The interviews focussed on determining the strengths and weaknesses of Internal Audit and assessed the Service against the four broad themes of Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.
- 3.2 The Internal Audit Service provided a comprehensive range of documents that they used as evidence to support their self-assessment,

and these were available for examination prior to and during this validation review. These documents included the:

- self-assessment against the standards;
- quality assurance and improvement plan (QAIP);
- evidence file to support the self-assessment;
- the audit charter;
- the annual report and opinions
- the audit plan and strategy;
- audit procedures manual;
- a range of documents and records relating to the team members;
- progress and other reports to the Governance Committee.

All the above documents were examined during this EQA.

- 3.3 The main phase of the validation process was carried out during the week commencing 9 October 2023, with further work undertaken during the following weeks. This phase of the EQA involved a review of a sample of audit files and interviews with a sample of key stakeholders from Oxfordshire County Council and from Cherwell District Council. Overall, the feedback from the interviewees was positive with clients valuing the professional, knowledgeable, and objective way the Internal Audit Service delivered their services.
- 3.4 The assessor reviewed examples of completed audits from both organisations to confirm his understanding of the audit process used at the Council, and to determine how Internal Audit has applied the PSIAS and LGAN in practice.

4. Opinion

It is our opinion that the self-assessment for the Oxfordshire County Council's Internal Audit Service is accurate, and we therefore conclude that the Internal Audit Service FULLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

- 4.1 The table below shows the Internal Audit Service's level of conformance to the individual standards assessed during this external quality assessment:

Standard / Area Assessed	Level of Conformance
Mission Statement	Fully Conforms
Core principles	Fully Conforms
Code of ethics	Fully Conforms
Attribute standard 1000 – Purpose, Authority and Responsibility	Fully Conforms
Attribute standard 1100 – Independence and Objectivity	Fully Conforms
Attribute standard 1200 – Proficiency and Due Professional Care	Fully Conforms
Attribute standard 1300 – Quality Assurance and Improvement Programmes	Fully Conforms
Performance standard 2000 – Managing the Internal Audit Activity	Fully Conforms
Performance standard 2100 – Nature of Work	Fully Conforms
Performance standard 2200 – Engagement Planning	Fully Conforms
Performance standard 2300 – Performing the Engagement	Fully Conforms
Performance standard 2400 – Communicating Results	Fully Conforms
Performance standard 2500 – Monitoring Progress	Fully Conforms
Performance standard 2600 – Communicating the Acceptance of Risk	Fully Conforms

5. Areas of full conformance with the Public Sector Internal Audit Standards

5.1 Mission Statement and Definition of Internal Audit

The mission statement and definition of internal audit from the PSIAS are included in the audit charter.

5.2 **Core Principles for the Professional Practice of Internal Auditing**

The Core Principles, taken as a whole, articulate an Internal Audit function's effectiveness, and provide a basis for considering the organisation's level of conformance with the Attribute and Performance standards of the PSIAS.

The clear indication from this EQA is that the Core Principles are embedded in Internal Audit's procedures and working methodologies and Internal Audit are a competent, experienced, and professional Service that conforms to all ten elements of the Core Principles.

5.3 **Code of Ethics**

The purpose of the Institute of Internal Auditors' Code of Ethics is to promote an ethical culture in the profession of internal auditing, and is necessary and appropriate for the profession, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Code of Ethics provides guidance to internal auditors and in essence, it sets out the rules of conduct that describe behavioural norms expected of internal auditors and are intended to guide their ethical conduct. The Code of Ethics applies to both individuals and the entities that provide internal auditing services.

The clear indication from this EQA is that the Internal Audit Service conforms to the Code of Ethics, and this is embedded in their procedures, and their audit methodologies. The code of ethics is part of their overarching culture and underpins the way the Service operates.

5.4 **Attribute Standard 1000 – Purpose, Authority and Responsibility**

The purpose, authority and responsibility of the Internal Audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The internal audit charter must be reviewed regularly and presented to senior management and the audit panel for approval.

There are separate audit charters in place for each authority, and these are reviewed on an annual basis. We reviewed these documents and found them to be comprehensive and well written and contain all the elements that the PSIAS expects to be included in an audit charter. We are satisfied that the Internal Audit Service conforms to attribute standard 1000 and the LGAN.

5.5 **Attribute Standard 1100 – Independence and Objectivity**

Standard 1100 states that the Internal Audit activity must be independent, and internal auditors must be objective in performing their work.

The need for independence and objectivity is an integral part of any Internal Audit Service's culture. The CIA reports in her own name directly to the Senior Management Teams at each authority, and to the Audit and Governance Committee at Oxfordshire County Council and the Accounts, Audit and Risk Committee at Cherwell District Council. All employees declare any potential impairment to their independence or objectivity on recruitment to the Service and again on an annual basis.

We have reviewed the Internal Audit Service's procedures and their standard documentation; their quality assurance and improvement plan; and a small sample of completed audits. We have also reviewed their reporting lines and their positioning within both authorities. In addition to internal audit, the CIA has responsibilities for the County Council's counter fraud function and the provision of counter fraud services to Cherwell District Council as part of their internal audit contract with that Council. Whilst it is common for CIA's to be responsible for counter fraud alongside internal audit, the PSIAS does not regard it as being part of the mainstream internal audit function, and as such it should be subjected to periodic review by internal audit. It would therefore be prudent to include a review of the counter fraud function in future audit plans, and to maintain a sound level of independence and objectivity, to use the Internal Audit Service's external partner to do the review, rather than the in-house team. We have therefore included an advisory action in section 8 of this report to this extent.

Notwithstanding the above observation, we are satisfied that the Internal Audit Service conforms with attribute standard 1100 and the LGAN.

5.6 Attribute Standard 1200 – Proficiency and Due Professional Care

Attribute standard 1200 requires the Internal Audit Services' engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the staff, and how they apply their knowledge in practice.

As mentioned above, the CIA is an experienced internal audit professional who is a Chartered Internal Auditor. The Audit Manager is also an experienced internal audit professional and is also a Chartered Internal Auditor. The two Principal Auditors are both experienced and are also Chartered Internal Auditors, and one of which has also gained an IT audit qualification. The Auditor and Assistant Auditor are both undertaking training for a relevant internal audit qualification. The team members have sufficient knowledge of the operation of high-level IT controls, and they can incorporate these in their testing for the audits they undertake. The more detailed and complex ICT reviews are undertaken by an external specialist ICT auditor who has a rolling contract with internal audit.

The Standards require internal audit services to consider the use of data analytics when performing their audit reviews. The Service has produced a data analytics strategy and has started to develop this function jointly with the Council's counter fraud function. The primary tools currently used for data analytics are Excel and Business Objectives, although

Power BI is now starting to be used within the Council. The team members also make use of the data analytics functionality built into some of the Council's core applications. The Service does not currently have a licence for any specialist data analytics software although they have done in the past (the IDEA data analytics software) and are considering purchasing a new licence for this product. As the functionality of IDEA, and indeed that of other applications such as ACL and Arbutus to name just two, have improved and expanded considerably during the past few years, it is our view that obtaining such a product would enhance the Service's data analytics functionality. We have therefore included this as an advisory action in section 8 of this report. Notwithstanding the above, we feel there are further opportunities to broaden the use of data analytics by making use of external sources of data for benchmarking purposes, such as the local authority data held in the CIPFA statistics and 'Nearest Neighbour Model' applications, which the Councils should already have access to, or the data held by the Local Government Association in their LG Inform application. These are useful sources of data for benchmarking that should not be overlooked, particularly when auditors are undertaking research and preparing the terms of reference for audits as benchmarking can highlight areas where there may be scope to add value to the Council's operations, or at least challenge the current thinking. We have included this as an advisory action for management to consider in section 8 of this report.

Standard 1200 expects internal auditors to maintain and enhance their knowledge and this is usually achieved through undertaking relevant training. When a team member has completed relevant training, it is recorded on a central record for the service. However, internal auditors also enhance their knowledge and understanding through other means, such as reading technical journals and undertaking research prior to commencing audits. This is an important and valid element of an internal auditor's learning and development, and although this is recognised as good practice, most of the team do not tend to formally record this on the learning and development records. The team members that are studying for professional qualifications do, however, record it in their training logs. We have therefore included an advisory action in section 8 of this report.

It is evident from this review that the Internal Audit Service's employees are experienced and well qualified and perform their duties with due professional care. We are therefore satisfied that the Internal Audit Service complies with attribute standard 1200 and the LGAN.

5.7 Attribute Standard 1300 – Quality Assurance and Improvement Programmes

This standard requires the Head of Audit to develop and maintain a quality assurance and improvement programme that covers all aspects of the Internal Audit activity.

The Internal Audit Service has developed an effective quality assurance process which feeds into their quality assurance and improvement programme that ensures engagements are performed to a high standard. Supervision of audit engagements is carried out at all stages

of the audit and is recorded throughout the audit process. The Service uses post audit client satisfaction surveys for the audits they undertake, and in addition to the quinquennial EQA, carry out annual self-assessments of their conformance to the Standards and the LGAN. In addition, the County Council's Monitoring Officer carries out an annual survey of managers to assess the effectiveness of the Internal Audit Service. All these feed into the Service's quality assurance and improvement plan (QAIP). Updates on completing the actions in the QAIP are made to the Governance Committee.

We have examined the supporting evidence provided by the Internal Audit Service during this EQA and, we are satisfied that they conform to attribute standard 1300 and the LGAN.

5.8 Performance Standard 2000 – Managing the Internal Audit Activity

The remit of this standard is wide and requires the Chief Audit Executive to manage the Internal Audit activity effectively to ensure it adds value to its clients. Value is added to a client and its stakeholders when Internal Audit considers their strategies, objectives, and risks; strives to offer ways to enhance their governance, risk management, and control processes; and objectively provides relevant assurance to them. To achieve this, the Chief Audit Executive must produce an audit plan and communicate this and the Service's resource requirements, including the impact of resource limitations, to senior management and the Governance and Ethics Committee for their review and approval. The Chief Audit Executive must ensure that Internal Audit's resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

The standard also requires the Chief Audit Executive to establish policies and procedures to guide the Internal Audit activity, and to share information, co-ordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

Last, but by no means least, the standard requires the Chief Audit Executive to report periodically to senior management and the Governance Committee on Internal Audit's activities, purpose, authority, responsibility, and performance relative to its plan, and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the audit committee.

The Internal Audit Service has a comprehensive audit manual in place that covers all aspects of the Internal Audit Service. They have developed comprehensive planning processes that take into consideration the Council's risks and objectives; the risk management and governance frameworks; the Council's objectives and priorities; any other relevant and reliable sources of assurance that are available; key issues identified by managers during planning meetings; the Service's own risk and audit needs assessments; and any emerging risks

identified through horizon scanning and networking with other organisations and regional audit groups. For each authority, the Service produces a risk-based audit plan that is aligned to the relevant Council's objectives and is designed to provide each Council with relevant assurance on their governance, risk management and control frameworks. The audit plans are reviewed and approved by the respective Senior Management Teams and Audit Committees.

Details of the completed audits, together with regular updates on the progress being made on delivering the audit plans and the performance of the Internal Audit Service, are reported regularly to the respective Senior Management Teams and the Audit Committees. An annual report and opinion is produced for each authority at the end of the year and presented to the respective Senior Management Team and Audit Committee.

The clear indication from this EQA is that the Internal Audit Service is managed effectively and conforms to standard 2000 and the LGAN.

5.9 Performance Standard 2100 – Nature of Work

Standard 2100 covers the way the Internal Audit activity evaluates and contributes to the improvement of the organisation's risk management and governance framework and internal control processes, using a systematic, disciplined and risk-based approach.

This is the approach adopted by the Internal Audit Service and is embedded in their working methodologies. During this EQA, we reviewed a small sample of completed audits and examined them to see if they conformed to standard 2100, the LGAN and Internal Audit's own methodologies. We found that all the sample audits examined during the EQA complied with all three.

The clear indication from this EQA is that the Internal Audit Service conforms to performance standard 2100 and the LGAN.

5.10 Performance Standard 2200 – Engagement Planning

Performance standard 2200 requires Internal Auditors to develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organisation's strategies, objectives, and risks relevant to the engagement.

As mentioned above, the Service has an audit manual and robust supervision processes in place, that include engagement planning, and meets the requirements of the PSIAS. From the sample of audits that we examined during the EQA, we found that they all conformed to standard 2200, the LGAN, and the Service's own audit procedures, and we therefore conclude that Internal Audit conforms to performance standard 2200 and the LGAN.

5.11 Performance Standard 2300 – Performing the Engagement

Performance standard 2300 seeks to confirm that Internal Auditors analyse, evaluate and document sufficient, reliable, relevant, and useful

information to support the engagement results and conclusions, and that all engagements are properly supervised.

The Internal Audit Service has an audit manual, sound supervision arrangements, and quality assurance processes in place that meet the requirements of the standards. We reviewed the evidence provided in support of the Service's self-assessment, together with a sample of audits to see if they conformed to the standards, and Internal Audit's own working methodologies. We found that all the evidence we examined conformed to the standards and Internal Audit's own procedures and methodologies. We therefore conclude that Internal Audit conforms to performance standard 2300 and the LGAN.

5.12 Performance Standard 2400 – Communicating Results

This standard requires Internal Auditors to communicate the results of engagements to clients and sets out what should be included in each audit report, as well as the annual report and opinion. When an overall opinion is issued, it must take into account the strategies, objectives and risks of the clients and the expectations of their senior management, the audit committee and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information. Where an internal audit function is deemed to conform to the PSIAS, reports should indicate this by including the phrase “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing”.

The Service's procedures and supervision processes cover the communication of results of individual audits and meet the requirements of the PSIAS. During the EQA we reviewed the evidence provided in support of the Service's self-assessment and the audit reports issued for a sample of audits to establish if they conformed to the standards. We found that all the evidence we examined conformed to the standards and Internal Audit's own procedures and methodologies.

We also reviewed the progress and annual reports presented to the respective Audit Committees and found that these also conformed to the standards and the Service's own internal procedures.

We therefore conclude that the Internal Audit Service conforms to performance standard 2400 and the LGAN.

5.13 Performance Standard 2500 – Monitoring Progress

There is a comprehensive follow-up process in place, the objective of which is to monitor the client's progress towards the implementation of agreed actions. The results of the follow-up reviews are reported to the respective Audit Committee. From this EQA, it is evident that the Internal Audit Service conforms to performance standard 2500 and the LGAN.

5.14 Performance Standard 2600 – Communicating the Acceptance of Risk

Standard 2600 considers the arrangements which should apply if the CIA has concluded that managers have accepted a level of risk that may

be unacceptable to the organisation. Situations of this kind are expected to be rare, consequently, we did not see any examples of this during this review. From this EQA, it is evident that the Internal Audit Service conforms to performance standard 2600 and the LGAN.

6. Areas of partial conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

- 6.1 There are no areas of partial conformance with the Public Sector Internal Audit Standards or the CIPFA Local Government Application Note.

7. Areas of non-conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

- 7.1 There are no areas of non-conformance with the Public Sector Internal Audit Standards or the CIPFA Local Government Application Note.

8. Issues for management action

- 8.1 From our review of the Service's self-assessment we have six advisory issues that management should consider. Five relate to matters of good practice linked to the operation of the Service and not the Service's conformance to the standards, and one is a generic issue relating to the future of the PSIAS for the CIA to consider. These are all set out in the table below:

Issues for management action	Priority
Consideration should be given to developing a mid/long term recruitment and retention strategy for the Internal Audit service.	Advisory
Whilst it is common for CIA's to be responsible for counter fraud alongside internal audit, the PSIAS does not regard it as being part of the mainstream internal audit function. It would therefore be prudent to include a review of the counter fraud function in future audit plans, and to maintain a sound level of independence and objectivity, to use the Internal Audit Service's external partner to do the review.	Advisory
To enhance the Service's data analytics functionality, consideration should be given to obtaining specialist	Advisory

Issues for management action	Priority
data analytics software, such as IDEA, ACL, Arbutus etc, to supplement the standard applications (Excel and Power BI) used by the Service.	
The Service's use of data analytics can be enhanced further by making use of external sources of data for benchmarking purposes. Suitable sources of external sources of data are the local authority data held in the CIPFA statistics and 'Nearest Neighbour Model' applications, which the Councils should already have access to, and the benchmarking data held by the Local Government Association in their LG Inform application.	Advisory
Research for audits and reading technical journals and other publications forms part of an internal auditor's continuous learning and development, however undertaking these activities are not routinely recorded on the central learning and development record for the Service. As this is an important, significant, and valid element of an internal auditor's learning and development, consideration should be given to adding this to the central training records.	Advisory
Management should be mindful of the fact that a consultation on revising the Institute of Internal Auditors Global IPPF which is incorporated into the PSIAS, has recently taken place and any changes to the Standards arising from the consultation may affect the Service's future conformance to the Standards. It is, therefore, suggested that the Audit Manager keeps a watching brief on the developments to the Standards and how this may impact the Service in the medium term.	Advisory

The co-operation of the Chief Internal Auditor in providing the information requested for the EQA, is greatly appreciated. Our thanks also go to the Chairs of the Audit Committees and the key stakeholders that made themselves available for interview during the EQA.

Ray Gard, CPFA, FCCA, FCIA, DMS

23 November 2023

10. Definitions

Level of Conformity	Description
Fully Conforms	The Internal Audit Service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the individual Standard, the element of the Code of Ethics, and the Local Government Application Note in all material respects. This means that there is general conformance to a majority of the individual Standards, elements of the Code of Ethics, or the Local Government Application note, and at
Partially Conforms	The Internal Audit Service is endeavouring to deliver an effective service however, they are falling short of achieving some of their objectives and/or generally conforming to a majority of the individual Standards, elements of the Code of Ethics, or the Local Government Application note and at least partial conformance to the others. There will usually be significant opportunities to improve the delivery of effective internal audit, and enhance conformance to the Standards, elements of the Code of Ethics, and/or the Local Government Application Note. The Internal Audit Service may be aware of some of these opportunities and the areas they need to develop. Some identified deficiencies may be beyond the control of Internal Audit and may result in actions for Senior Management or the Board of the organization to
Does Not Conform	The Internal Audit Service is not aware of; not making efforts to comply with; or is failing to achieve many/all of the individual Standards, elements of the Code of Ethics, or the Local Government Application Note. These deficiencies will usually have a significant adverse impact on Internal Audit's effectiveness and its potential to add value and are likely to represent significant opportunities for improvement to Internal Audit. Some identified deficiencies may be beyond the control of Internal Audit and may result in recommendations to Senior Management or the

Action Priorities	Criteria
High priority	The Internal Audit Service needs to rectify a significant issue of non-conformance with the standards. Remedial action to resolve the issue should be taken urgently.
Medium priority	The Internal Audit Service needs to rectify a moderate issue of conformance with the standards. Remedial action to resolve the issue should be taken, ideally within a reasonable time scale, for example six months.

Low priority	The Internal Audit Service should consider rectifying a minor issue of conformance with the standards. Remedial action to resolve the issue should be considered but the issue is not urgent.
Advisory	These are issues identified during the course of the EQA that do not adversely impact the service's conformance with the standards. Typically, they include areas of enhancement to existing operations and the adoption of best practice.

11. Disclaimer

This report has been prepared by CIPFA at the request of Oxfordshire County Council, and the terms for the preparation and scope of the report have been agreed with them. The matters raised are only those that came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, we have only been able to base findings on the information and documentation provided to us. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the issues that exist with their conformance to the Public Sector Internal Audit Standards that exist, or of all the improvements that may be required.

The report was prepared solely for the use and benefit of Oxfordshire County Council's Internal Audit Service, including the Officers and elected Members of the County Council, and Internal Audit's clients, and to the fullest extent permitted by law, CIPFA accepts no responsibility and disclaims all liability to any other third party who purports to use or rely, for any reason whatsoever on the report, its contents, conclusions, any extract, and/or reinterpretation of its contents. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

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Division(s): N/A

AUDIT & GOVERNANCE COMMITTEE – 10 JANUARY 2024

TREASURY MANAGEMENT STRATEGY & ANNUAL INVESTMENT STRATEGY 2024/25

Report by the Executive Director: Resources

RECOMMENDATION

1. **Audit & Governance Committee is RECOMMENDED to endorse the Treasury Management Strategy for 2024/25 as outlined in the report.**

Executive Summary

2. The Treasury Management Strategy & Annual Investment Strategy for 2024/25 outlines the Council's strategic objectives in terms of its debt and investment management for the financial year 2024/25.
3. The forecast average cash balance for 2024/25 is £463m. The Council will maintain its investment in strategic pooled funds with a purchase value of £101m (22%). The remaining £362m (78%) will be managed internally with a mixture of short, medium and long-term deposits.
4. The Bank of England Base Rate is forecast to remain at 5.25% until autumn 2024 and reduce to 4.00% by March 2025.
5. UK Government Gilt yields are forecast to fall from 4.50% to 3.00% over the medium term.
6. Changes to the Treasury Management Strategy will be recommended to Council to be delegated to the Executive Director of Resources & Section 151 Officer in consultation with the Leader of the Council and Cabinet Member for Finance

Changes from 2023/24 Strategy

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

	From	To
2024/25	£145m	£170m
2025/26	£110m	£175m
2026/27	£100m	£150m
2027/28	£100m	£150m
2028/29	n/a	£150m

8. Community municipal investments, which will enable the council to issue green or community bonds, has been added to the approved borrowing instruments.

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 2024/25 is based upon the views of the Council's Treasury Management Strategy Team (TMST)¹, informed by market forecasts provided by the Council's treasury advisor, Link Treasury Services. The forecast and economic background provided by Link Treasury Services can be found in Annex 1.
13. It is proposed that any further changes required to the Annual Treasury Management Strategy & Annual Investment Strategy, continue to be delegated to the Executive Director of Resources & Section 151 Officer in consultation with the Leader of the Council and Cabinet Member for Finance.

Forecast Treasury Portfolio Position

14. The Council's treasury forecast portfolio position for the 2024/25 financial year comprises:

	Principal £m	Average Rate %
Opening External Debt Balance		
Public Works Loans Board (PWLB)	244.383	4.523
Lender's Option Borrower's Options (LOBOs) ²	35.000	3.910
Money Market Loans	5.000	3.950
TOTAL EXTERNAL DEBT	284.383	

¹Comprising the Executive Director of Resources & Section 151 Officer, Service Manager (Pensions), Head of Corporate Finance, and Treasury Manager.

² See paragraphs 27 & 28 for detail

2024/25 <u>Average Forecast Cash Balance</u>	
Average In-House Cash	361.622
Average Externally Managed	101.006
TOTAL INVESTMENTS	462.628

15. The average forecast cash balance for 2024/25 is comprised of the following:

	Average Balance £m
Earmarked Reserves	183.919
Unusable Dedicated Schools Grant Reserve	-83.500
Capital and Developer Contributions	349.800
General & School Balances	55.717
Cashflow and Working Capital Adjustments	177.649
Internal Borrowing	-232.454
Provisions and Deferred Income	11.497
TOTAL	462.628

16. Cash balances for 2024/25 are approximately £50m higher than anticipated when the Treasury Management Strategy for 2023/24 was agreed. This reflects the updated profile of capital expenditure as set out in the Capital Monitoring Reports to Cabinet in 2023/24.

Prospect for Interest Rates

17. The Council's TMST, taking into account the advice from Link Treasury Services, market implications and the current economic outlook, have determined the interest rates to be included in the Strategic Measures budget for 2024/25 and over the medium term. TMST forecast that the bank rate will remain at 5.25% until autumn 2024, then reduce to 4.00% by the end of 2024/25. The bank rate is then forecast to continue to drop to 3.00% over the medium term.

18. The TMST team has agreed that based on the current portfolio of deposits and market rates, the target in-house rate of return should be as set out below. These rates have been incorporated into the strategic measures budget estimates for interest receivable and reflect the mix of rates expected to be achieved on existing and new deposits:

2024/25	4.25%
2025/26	3.00%
2026/27 - 2028/29	2.50%

Borrowing Strategy

19. The Council's Capital Programme Financing Principles require the application of capital grants, developer contributions, capital receipts and revenue contributions to fund capital expenditure. Prudential borrowing will only be considered where:

- i. there is a robust invest to save model; or
 - ii. the council has a significant unmet capital need; or
 - iii. It contributes towards the overall investment approach
20. The Capital Financing Requirement sets out the council's requirement to prudentially borrow for capital purposes. This borrowing can either be met through external loans or by using existing cash balances held by the council.
21. The Council's chief objective when borrowing money externally is to strike an appropriate balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.
22. Borrowing rates are forecast to fall from a high of 5.30% in December 2023 to 3.80% over the medium term.
23. External borrowing taken out by the council is expected to fall well below the Capital Financing Requirement by 2028/29 due to increased capital expenditure and £11m of debt repayments by that point. If no new external borrowing is arranged during this time, the council will be temporarily financing the capital programme via internal borrowing.
24. Given the high level of balances and the forecast for borrowing rates to significantly reduce in the medium term, the Council's TMST have agreed that the council should maintain the option to fund new or replacement borrowing through internal borrowing. The limit of internal borrowing will be combined with the long term lending limit, and will not exceed £400m in 2024/25.
25. The TMST monitor the borrowing rates on a daily basis. If changes in interest rate forecasts mean the policy to borrow internally is no longer in the short term or long-term interests of the council, the TMST may agree to take out new or replacement borrowing to give the council certainty of costs over the long term, and to reduce Interest Rate Risk and Refinancing Risk in the short to medium term. Any increase in borrowing costs as a result of new external borrowing will be offset by an increased return of interest on balances. Any new external borrowing will be reported to Cabinet.
26. The approved sources of long-term and short-term borrowing are:
 - Public Works Loan Board and any successor body
 - UK local authorities
 - any institution approved for investments (see below)
 - any other bank or building society authorised by the Prudential Regulation Authority to operate in the UK
 - UK public and private sector pension funds
 - capital market bond investors

- special purpose companies created to enable joint local authority bond issues
 - community municipal investments³
27. The Council has historically set a maximum limit of 20% of the debt portfolio to be borrowed in the form of Lender's Option Borrower's Option (LOBOs). As at 31 December 2023 LOBOs represent 14.1% of the total external debt after taking account of the early repayment of £10m of LOBOs in 2023/24. This compares to 14.5% of the total external debt in 2023/24. The council has no intention of entering into any new LOBO arrangements, however as the level of PWLB debt is due to fall over the medium term, the percentage of LOBOs compared to total external debt will increase. Therefore, it is recommended that the limit for 2024/25 remains at 20%.
28. The Council has three £5m LOBOs with call options in 2024/25, two of which have two call options in year, with the third having a single call option in year. At each call date, the lender may choose to exercise their option to change the interest rate payable on the loan. If the lender chooses to do so, the Council will evaluate alternative financing options before deciding whether or not to exercise the borrower's option to repay the loan or to accept the new rate offered. It is likely that if the rate is changed the debt will be repaid. The TMST will explore early repayment of LOBOs if this were to arise and where there is a financial benefit to do so.

Prudential Indicators

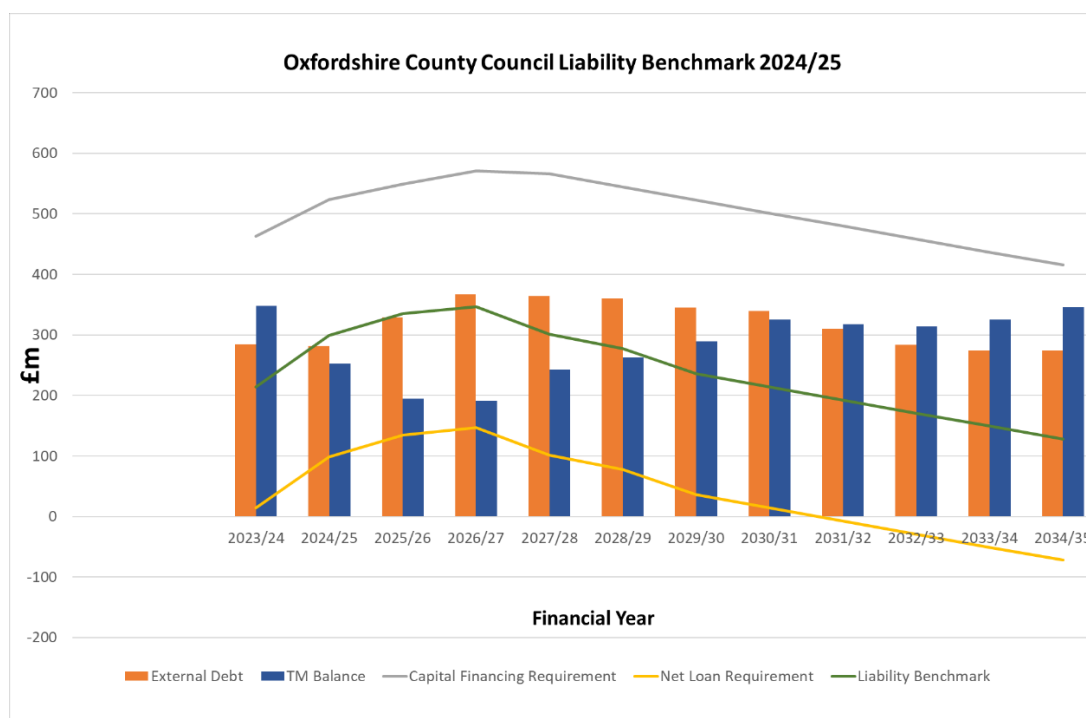
29. The Prudential Code for Capital Finance in Local Authorities 2021 requires the Council to set and monitor against Prudential Indicators in the following categories:
- Prudence – Capital Expenditure & External Debt
 - Affordability
 - Treasury Management
30. This report includes the indicators for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

Liability Benchmark

31. This indicator identifies the minimum future borrowing needs, compared to the capital financing requirement compared to the actual level of external debt.
32. The gap between the capital financing requirement and the minimum borrowing requirement⁴ represents the maximum amount of financing that can be temporarily funded through internal borrowing. Based on the assessment below the council could internally borrow up to £235m in 2024/25. The forecast internal borrowing position for 2024/25 is £232m.

³ This is a new addition for 2024/25 and will enable the council to issue green or community bonds.

⁴ 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.



Upper and lower limits to maturity structure of fixed rate borrowing

33. 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.
34. 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.
35. 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 2024/25	Lower Limit %	Upper Limit %	2024/25 Forecast %
Under 12 months	0	20	6.33
12 months and within 24 months	0	25	2.46
24 months and within 5 years	0	35	27.78
5 years and within 10 years	5	40	30.38
10 years and above	25	95	33.05

36. Prudential Indicators are reported to and monitored by the TMST on a regular basis and will be reported to the Audit & Governance Committee and Cabinet

in the quarterly Treasury Management reports and the Treasury Management Annual Performance Report.

Annual Investment Strategy

37. 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
38. 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.
39. The Treasury Management Code of Practice requires the Council to approve a Treasury Management Policy Statement. Good practice requires that this statement is regularly reviewed and revised as appropriate. Council approved the statement in February [2019](#). The statement is reviewed annually and there are no revisions proposed for 2024/25.

Investment Instruments

40. Investment instruments identified for use in the 2024/25 financial year are set out in the Specified and Non-Specified instrument tables below
41. 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.
42. 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.
43. 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 ⁵	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

44. 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.

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

⁵ 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 ⁶ 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 (to be reviewed pending transfer of responsibility to Oxfordshire County Council in 2024/25)	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

⁶ 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

46. There are no proposed changes to instruments

Credit Quality

47. 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 57 and 59 respectively.
48. 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.
49. Notification of any rating changes (or ratings watch and outlook notifications) by all three ratings agencies are monitored daily by a member of the Treasury Management Team. Updates are also provided by the Council's Treasury Management advisors Link Treasury Services and reported to TMST. Appropriate action will be taken for any change in rating.
50. 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 57 and 59), that counterparty will be immediately removed from the lending list.

51. 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.
52. Prior to lending to other local authorities, due diligence is undertaken on their financial resilience. The council will not arrange investments with local authorities that are deemed to have poor financial management and/or standing, or whose operations are deemed to be inconsistent with the council’s priorities.

Liquidity Management

53. 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

54. 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
55. 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 57 and 59 will still apply.
56. Counterparty limits as set out in paragraphs 57 and 59, 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.
57. Any changes to the approved lending list will be reported to Cabinet as part of the Business Management and Monitoring Report.

58. The Council also manages its credit risk by setting counterparty limits. The matrix below sets out the maximum proposed limits for 2024/25. 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	
	F1+	F1
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

59. The maximum lending limit to other Local Authorities is £30m per Authority. The maximum lending limit for AAmmf rated Money Market Funds is £25m.
60. 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	
	F1+	F1
Long Term Rating	F1+	F1
AAA	3 years	364 days
AA+	2 years	364 days
AA	2 years	9 months
AA-	2 years	9 months
A+	364 days	9 months
A	9 months	6 months
A-	6 months	3 months
BBB+, BBB, BBB- (bank with which the Council has its bank account)	Overnight	Overnight

External Funds

61. 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.

62. As at 30 November 2023, the Council had £95m (original purchase value of £101m) invested in external funds (excluding MMFs), representing 17% of the Council's total investment portfolio. Whilst market volatility has seen the capital value fluctuate, they are held with a long term view, and there is no intention to divest from any of the funds at present.
63. At present, fluctuations in the value of the external funds do not impact on the council's revenue account, because they are held in an unusable reserve via the statutory override arrangements set out in IFRS9. The override was extended in early 2023 to 31 March 2025. It is unclear if the override will be extended beyond that date. It is proposed that a new reserve is created with an initial balance of £2.2m to manage the estimated risk pending confirmation regarding the statutory override.
64. The external funds have a targeted income return of 3.75% which has been incorporated into the medium term financial strategy. Whilst this rate is below the short term in-house return for 2024/25, it is expected that the in house return will be below this rate from 2025/26 onwards.
65. 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

66. 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

67. 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.

68. The long term lending limit is based on 50% of the forecast average cash balance. Based on forecast balances reducing to £300m over the medium term, the proposed limits for investments longer than 364 days is set out below:

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Upper limit on principal sums invested longer than 364 days	170	175	150	150	150

Policy on Use of Financial Derivatives

69. 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.
70. 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.
71. It is the view of the TMST that the use of standalone financial derivatives will not be required for Treasury Management purposes during 2024/25. The Council will only use derivatives after seeking expertise, a legal opinion and ensuring officers have the appropriate training for their use.

Performance Monitoring

72. The Council will monitor its Treasury Management performance against other authorities through its membership of the CIPFA Treasury Management benchmarking club.
73. Link Treasury Services benchmark the performance of their clients against each other on a quarterly basis, looking at a variety of indicators including investment risk and returns.
74. 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

75. All members of the Treasury Management Strategy Team are members of CIPFA or other professional accounting bodies. In addition, key treasury management officers receive in-house and externally provided training as deemed appropriate and training needs are regularly reviewed, including as part of the staff appraisal process.
76. 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

77. Interest payable and receivable in relation to Treasury Management activities are included within the overall Strategic Measures budget. In house interest receivable for 2024/25 is budgeted to be £15.43m.
78. Dividends payable from external funds in 2024/25 are budgeted to be £3.81m.
79. Interest payable on external debt in 2024/3 is budgeted to be £12.44m.
80. Comments checked by:

Kathy Wilcox, Head of Corporate Finance, Finance & Procurement,
kathy.wilcox@oxfordshire.gov.uk

Legal Implications

81. There are no direct legal implications arising from this report save for the need for ongoing collaborative working between the S151 Officer and the Monitoring Officer. CIPFA guidance promotes the need for consultative working and collaboration between these respective roles to promote good organisational governance.
82. The duties of a local authority in relation to Treasury Management are set out in Local Government 2003 as set out in paragraph 8 and 9 above. In addition, the responsibilities of a local authority in monitoring its treasury management are set out in The Treasury Management Code of Practice introduced in 2001/02. Local authorities are required to "have regard" to the code in setting up and approving their Treasury Management arrangements. The Treasury Management Code and the Prudential Code, form two parts of what is known as the Prudential Framework. This includes statutory guidance published by the then Ministry of Housing Communities and Local Government (MHCLG)

- Guidance on Local Authority Investments and the Guidance on Minimum Revenue Provision which came into effect from 1 April 2018. The latest versions of the above codes and guidance have been considered in setting the Treasury Management Strategy for 2024/25.

83. The functions of the Audit and Governance Committee include the monitoring of the system for Treasury Management. (Council Constitution Part 5.1A paragraph 1(a) 6)).
84. Comments checked by:
85. Paul Grant, Head of Legal & Deputy Monitoring Officer, Law & Governance, paul.grant@oxfordshire.gov.uk

Sustainability Implications

86. This report is not expected to have any negative impact with regards to the Council's zero carbon emissions commitment by 2030.
87. The Treasury Management Strategy Team will consider investments that may make a positive contribution to the Council's carbon commitment when appropriate opportunities become available. The TMST will continue to explore ethical, sustainable and good governance (ESG) investment practices.
88. 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.
89. 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.
90. The Treasury Management function is now completely paperless and working in line with the council's agile working policy with a mix of office based and remote working.

Annex 1

LINK TREASURY SERVICE INTEREST RATE FORECASTS 2023-2026

Link Group Interest Rate View		07.11.23											
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

PWLB forecasts are based on PWLB certainty rates.

ECONOMIC BACKGROUND PROVIDED BY LINK TREASURY SERVICES

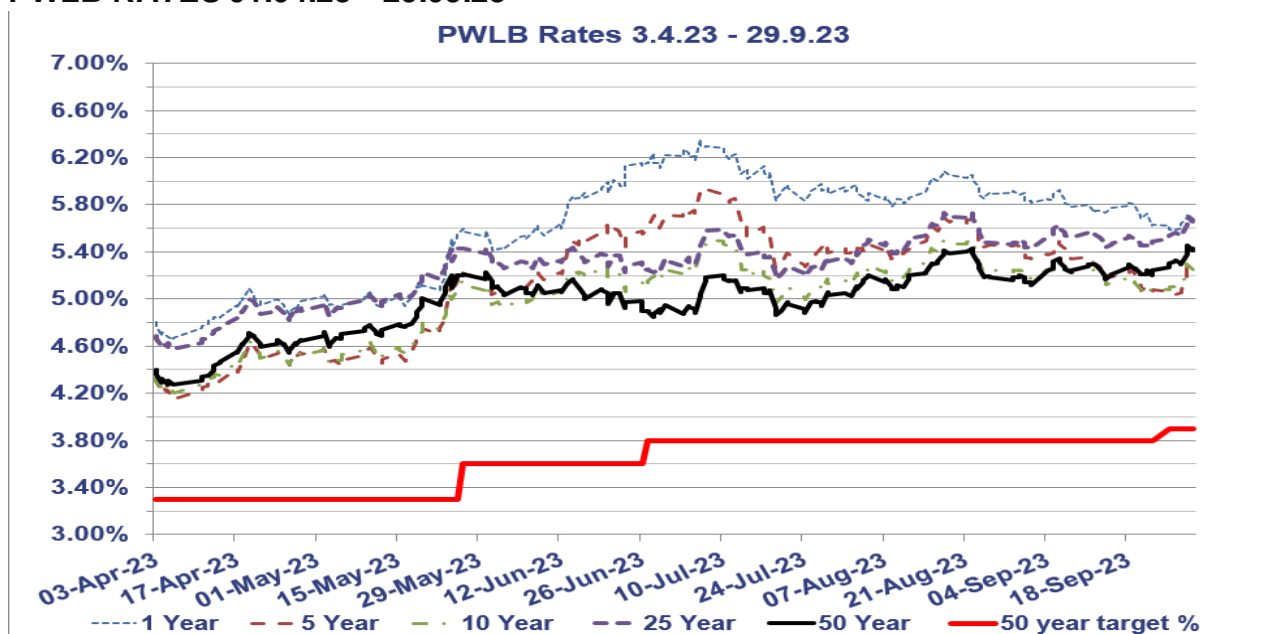
- The first half of 2023/24 saw:
 - Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
 - Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
 - CPI inflation falling from 8.7% in April to 6.7% in September, its lowest rate since February 2022, but still the highest in the G7.
 - Core CPI inflation declining to 6.1% in September from 7.1% in April and May, a then 31 years high.
 - A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose by 7.8% for the period June to August, excluding bonuses).
- The registering of 0% GDP for Q3 suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.
- The fall in the composite Purchasing Managers Index from 48.6 in August to 46.7 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0% q/q rise in real GDP in the period July to September, being followed by a contraction in the next couple of quarters.
- The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.
- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of-living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.
- The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.
- But the cooling in labour market conditions still has not fed through to an easing in wage growth. The headline 3myy rate rose 7.8% for the period June to August, which meant

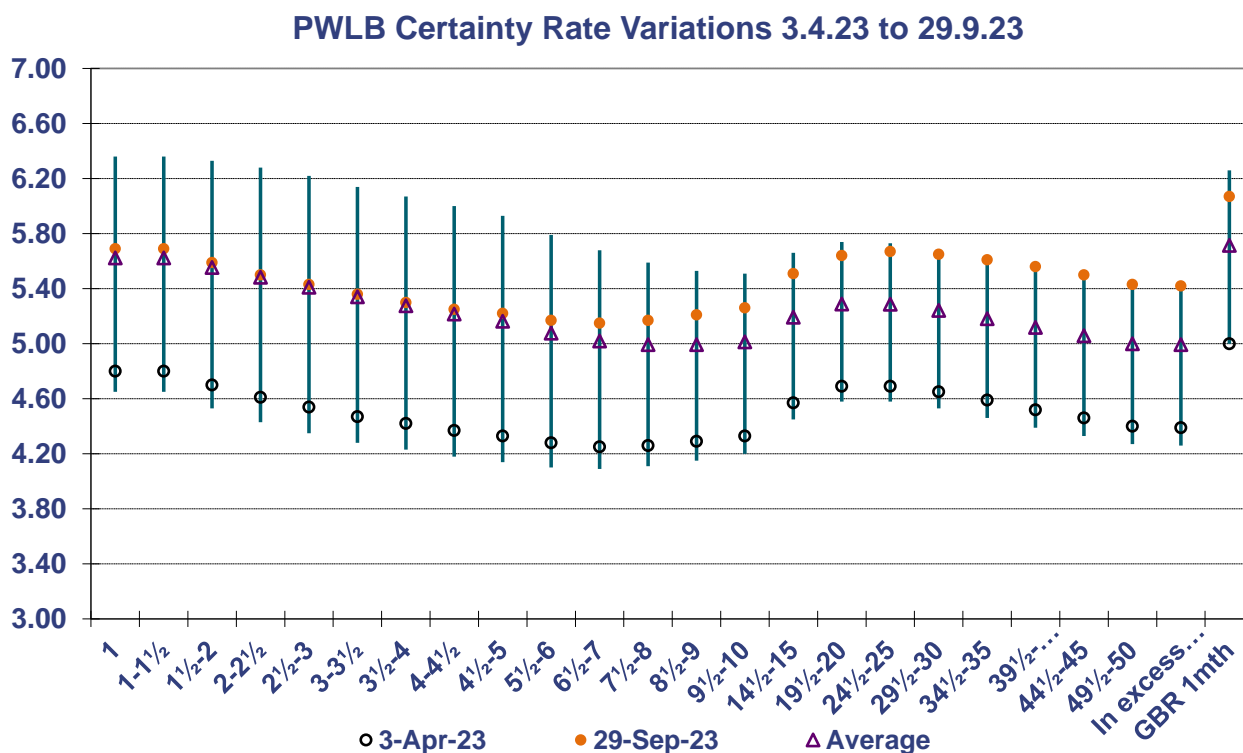
UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England’s closely watched measure of regular annual average total pay growth for the private sector was 7.1% in June to August 2023, for the public sector this was 12.5% and is the highest total pay annual growth rate since comparable records began in 2001. However, this is affected by the NHS and civil service one-off non-consolidated payments made in June, July and August 2023. The Bank of England’s prediction was for private sector wage growth to fall to 6.9% in September.

- CPI inflation declined from 6.8% in July to 6.7% in August and September, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.1%. That reverses all the rise since March.
- In its latest monetary policy meeting on 06 November, the Bank of England left interest rates unchanged at 5.25%. The vote to keep rates on hold was a split vote, 6-3. It is clear that some members of the MPC are still concerned about the stickiness of inflation.
- Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. In terms of messaging, the Bank once again said that “further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures”, citing the rise in global bond yields and the upside risks to inflation from “energy prices given events in the Middle East”. So, like the Fed, the Bank is keeping the door open to the possibility of further rate hikes. However, it also repeated the phrase that policy will be “sufficiently restrictive for sufficiently long” and that the “MPC’s projections indicate that monetary policy is likely to need to be restrictive for an extended period of time”. Indeed, Governor Bailey was at pains in his press conference to drum home to markets that the Bank means business in squeezing inflation out of the economy.
- This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates in the future.

In the table below, the rise in gilt yields across the curve as a whole in 2023/24, and therein PWLB rates, is clear to see.

PWLB RATES 01.04.23 - 29.09.23





HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.23 – 29.09.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.14%	4.20%	4.58%	4.27%
Date	06/04/2023	06/04/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.51%	5.73%	5.45%
Date	06/07/2023	07/07/2023	22/08/2023	17/08/2023	28/09/2023
Average	5.62%	5.16%	5.01%	5.29%	5.00%
Spread	1.71%	1.79%	1.31%	1.15%	1.18%

The peak in medium to longer dated rates has generally arisen in August and September and has been primarily driven by continuing high UK inflation, concerns that gilt issuance may be too much for the market to absorb comfortably, and unfavourable movements in US Treasuries.

The S&P 500 and FTSE 100 have struggled to make much ground through 2023.

CENTRAL BANK CONCERNS

Currently, the Fed has pushed up US rates to a range of 5.25% to 5.5%, whilst the MPC followed by raising Bank Rate to 5.25%. EZ rates have also increased to 4% with further tightening a possibility.

Ultimately, however, from a UK perspective it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

Divisions Affected – All

Item 8

AUDIT & GOVERNANCE COMMITTEE

10 January 2024

Financial Management Code of Practice Compliance Assessment

Report by Executive Director of Resources and Section 151 Officer

RECOMMENDATION

1. **The Audit & Governance Committee is RECOMMENDED to**
 - Endorse the assessment of compliance against the Financial Management Code for 2023/24 (Annex 1)

Executive Summary

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

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

6. The report sets out the outcome of the compliance self-assessment undertaken for 2023/24 which has found that the Council is well placed to meet the requirements of the FM Code.

Introduction

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

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

Status of the FM Code

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

Compliance Assessment 2023/24

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

remains well placed to evidence compliance with the FM Code from 1 April 2024.

18. 17 standards have been assessed as green meaning and 2 standards rated as amber, demonstrating that compliance can be evidenced. Where relevant, proposed further actions that can be taken to enhance compliance have been included in the assessment. The Summary Assessment is included at Annex 1.
19. The Summary Assessment will also be published alongside the Chief Finance Officer's (Section 151 Officer's) statutory report on the budget (Section 25 Report) which is part of the suite of papers considered by Council in approving the budget in February 2024. This is supporting evidence of the consideration given by the Section 151 Officer to the financial management arrangements and control frameworks that are in place when commenting on the robustness of the proposed budget.

Embedding the FM Code

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

Financial Implications

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

Comments checked by:

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

Legal Implications

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

Checked by:

Paul Grant, Head of Legal and Deputy Monitoring Officer

Staff Implications

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

Equality & Inclusion Implications

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

Sustainability Implications

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

LORNA BAXTER

Executive Director of Resources and Section 151 Officer

Annex: Financial Management Code of Practice –
Summary Compliance Assessment 2023/24

Background papers: Nil

Contact Officer: Kathy Wilcox, Head of Corporate Finance
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January 2024

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Financial Management Code of Practice – Summary Compliance Assessment 2023/24

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
1. Responsibilities of the Chief Finance Officer (CFO) and Leadership Team				
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money (VfM)	<p>Services use benchmarking to inform opportunities to improve VfM but this is often ad hoc and there is limited visibility beyond the service.</p> <p>Procurement decisions consider VfM by considering the quality of service and not just price.</p>	<p>The council's transformation programme is expected to focus on improving the business intelligence information available to the council. This will include developing a strategy for data and insight.</p> <p>A commercial strategy, that will be overseen by a new Commercial Board is being drafted and will also focus on procurement, third party spend, commissioning and commercial activity.</p>	AMBER

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
B	The authority complies with the CIPFA “Statement of the Role of the CFO in Local Government”	<p>The CFO is qualified accountant with significant experience working as an active member of the council’s leadership team.</p> <p>In carrying out their role as Executive Director of Resources and Section 151 Officer, the CFO is a member of SLT (Strategic Leadership Team) and reports directly to the Chief Executive. The CFO has an influential role with members of the Cabinet, Audit & Governance Committee and lead opposition members.</p> <p>The budget proposals for 2024/25 include funding for additional finance capacity needed to support the organisation to transform and to ensure that the CFO is able to lead and direct a finance function that is resourced to be fit for purpose.</p>	The Business Services Transformation project will focus on sustainable financial management across the organisation through developing improved guidance and training for non – finance staff and reviewing, documenting and clarifying roles and responsibilities and accountabilities with efficient use of systems and processes to support that in the council’s self service operating framework.	GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
2.	Governance and Financial Management Style			
C	The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control	<p>The Strategic Leadership Team (SLT) understands its responsibilities in relation to Financial Management and considers the assessment against the Code and actions or further work required in order to continuously improve.</p> <p>The Council Management Team (CMT) receive and review on a quarterly basis a report from the Chief Internal Auditor on progress against the Internal Audit Plan, implementation of agreed management actions and delivery of the Counter Fraud Plan. The Annual Governance Statement (AGS) and Action Plan are also considered by CMT.</p> <p>In addition, the Audit & Governance Committee have a key role in providing independent assurance over governance, risk and internal control arrangements.</p>	<p>SLT are continuing to discharge their responsibilities through CMT including focussing on managing pressures over the short and medium term to maintain financial resilience through the Medium Term Financial Strategy.</p> <p>The council's Delivering the Future Together programme has moved to a new phase and is focussing on the operational priorities for the council of employer, place shaper and partner of choice.</p>	GREEN
D	The authority applies the CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)"	The Local Code of Corporate Governance sets out how the Council complies with the requirements of the Framework and identifies key documents, which provide detailed information as to how the Council ensures the Corporate Governance principles are adhered to. The annual update of the Oxfordshire Code of Corporate Governance was last approved by Audit & Governance Committee in May 2023.		GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
E	The Financial Management style of the authority supports financial sustainability	<p>The Council has adopted a Business Partnering model that supports managers to deliver financially sustainable services by providing strategic advice and support. Training in financial management roles and responsibilities has been a focus across a number of Directorates during the last financial year.</p> <p>This is underpinned by a Corporate Function that manages the strategic financing issues and provides the budget setting and accounting framework for the organisation.</p> <p>An updated Financial Strategy including financial performance indicators that are tracked and reporting during the following year is published annually as part of the budget agreed by Council.</p>	<p>Business Services Transformation will develop a clearer framework of financial roles and accountability and develop training to support that which will be used consistently across the Council.</p> <p>A new Financial Management Strategy and a Commercial Strategy are being developed.</p> <p>Business Partnering will be developed across more functions within the council and a formal operating model for business partnering will be developed.</p> <p>Development of improved and digitised business case process for capital and revenue.</p>	GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
3.	Long to Medium-Term Financial Management			
F	The authority has carried out a credible and transparent financial resilience assessment	<p>A review of both the 2022/23 Financial Resilience index and the OFLOG finance data set compared to the nearest neighbours cohort of local authorities has been undertaken. This is set out in in the Financial Strategy (section 4.5 of the Budget & Business Planning Report to Cabinet in January 2024).</p> <p>The Financial Strategy also includes a suite of measures against which financial performance is measured during the year and reported through the Business Management & Monitoring Reports to Cabinet. These measures include the forecast level of General Balances against the minimum risk assessed level for balances taking into account the latest monitoring position in the current year and the forecast achievement of savings built into the budget.</p> <p>The council's People and Culture Strategy, which will inform future workforce requirements will be considered for approval by Cabinet in January 2024.</p>		GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	<p>The Financial Strategy and MTFS outline the financial challenges and opportunities facing the Council over the medium term.</p> <p>The Capital & Investment Strategy and the Capital Programme both cover a 10-year period. The Capital & Investment Strategy sets out the long-term context in which capital expenditure and investment decisions are made and articulates how the Council's capital investment will help achieve the Council's vision and priorities as well as respond to demographic change.</p>	With the development of a new business intelligence approach, it remains an ambition to progress the development of scenario planning in relation to the long term and the council's place shaping ambitions.	AMBER

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
H	The authority complies with the CIPFA “Prudential Code for Capital Finance in Local Authorities”	<p>The Capital & Investment Strategy is updated annually and agreed by Council alongside the Capital Programme, Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy.</p> <p>The Capital Programme is monitored monthly with reports produced quarterly for the Strategic Capital Board and Cabinet. Quarterly Treasury Management reports are taken to Audit & Governance Committee, Cabinet and Council, including monitoring of Prudential Indicators.</p> <p>The ratio of financing costs to the net revenue stream is forecast to remain within 4%-5% over the medium term. The future affordability of any proposed new borrowing is a key consideration within the Budget & Business Planning process.</p>		GREEN
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	The Council has an integrated Business and Budget Planning Process with a multi-year Medium Term Financial Strategy linked to service plans. This is reviewed and updated each year with new future years added to ensure that the strategy covers at least three years.		GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
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 84	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

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
5.	Stakeholder Engagement and Business Plans			
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	<p>One of the Council's priorities has been to develop and implement a new consultation and engagement strategy, enhancing opportunities for residents, including young people and those seldom heard, to have their say in service development. This was implemented for the 2023/24 budget process and has been developed further for 2024/25.</p> <p>New for 2024/25 the council is using an online budget simulator tool, that enables residents and other stakeholders to weigh up funding choices and trade-offs for themselves.</p> <p>Wider engagement and outreach activities include two sounding board events for secondary school aged children, three online Oxfordshire Conversations in December 2023 and five events for adults known to experience inequity, in December and January to support their engagement with the simulator.</p> <p>Performance & Corporate Services Overview & Scrutiny Committee have also considered the budget proposals ahead of the budget being agreed by Council.</p>		GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
M	The authority uses an appropriate documented options appraisal methodology to demonstrate the value for money of its decisions	Key decisions requiring investment to deliver service improvements, deliver savings or invest or save opportunities require business case to aid decision making via the appropriate governance process (e.g., Strategic Capital Board).	<p>Review the requirements, standards and guidance for business cases including training options for responsible officers and decision makers.</p> <p>A project to automate the completion and sign off of business cases for revenue and capital projects has just commenced and is expected to be completed in Spring 2024.</p>	GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
6.	Monitoring Financial Performance			
N	The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	<p>The regular Business Management and Monitoring Reports to Cabinet include performance, finance and risk so enable the council's leadership team and Cabinet to respond to emerging issues and to take action to manage those.</p> <p>The regular Capital Programme monitoring report includes updates on scheme activity, performance and risks.</p>	<p>Continue to improve the visibility and links between performance, risk and finance reporting, highlighting key issues that need to be considered in the Business Management & Monitoring Report as well as any issues arising from the Capital Programme.</p> <p>Business Services Transformation and development of Data and Insight are expected to improve reporting capabilities and the use of data to underpin that.</p>	GREEN
Page 870	The Leadership Team monitors the elements of its balance sheet that pose a significant risk to financial sustainability	The Business Management and Monitoring Reports to Cabinet include monitoring of key balance sheet items including balances, reserves, debtors, and cash (including the performance of Treasury Management).		GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
7.	External Financial Reporting			
P	The CFO has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the “Code of Practice on Local Authority Accounting in the United Kingdom” (The Code)	<p>The annual accounts are produced in compliance with The Code and have always received an unqualified audit opinion.</p> <p>Statutory deadlines for publication of the accounts were consistently met until 2021/22 when resourcing issues impacted the completion of the accounts. Since then the on-going impact of audits for previous years has made it more difficult to complete the accounts by the deadline.</p> <p>The audit of the 2020/21 accounts was completed during 2023/24 and the audit of the 2021/22 accounts is expected to be completed in early 2024.</p> <p>The audit of the 2022/23 accounts remains outstanding as at 31 December 2023 pending national guidance on the approach to be taken to resolve the national audit backlog.</p>		GREEN
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	The Council Management Team and Cabinet consider the outturn and year end variances in a Provisional Outturn Report to Cabinet each June. Where relevant this enables strategic financial decisions to be made early in the following financial year.		GREEN