



To: Members of the Audit & Governance Committee

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

Wednesday, 14 November 2018 at 2.00 pm

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

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

Yvonne Rees
Chief Executive

November 2018

*Committee Officers: Colm Ó Caomhánaigh, Tel 07393 001096; E-mail:
colm.ocaomhanaigh@oxfordshire.gov.uk*

Membership

Chairman – Councillor Nick Carter
Deputy Chairman - Councillor Tony Ilott

Councillors

Paul Buckley
Jeannette Matelot
Charles Mathew

D. McIlveen
Glynis Phillips
Les Sibley

Roz Smith

Co-optee

Dr Geoff Jones

Notes:

- ***There will be a pre-meeting briefing in the Members' Boardroom at County Hall on Friday 9 November 2018 at 9.30am for the Chairman, Deputy Chairman and Opposition Group Spokesman.***
- ***Date of next meeting: 9 January 2019***

Declarations of Interest

The duty to declare.....

Under the Localism Act 2011 it is a criminal offence to

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

Whose Interests must be included?

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

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

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

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

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

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

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

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

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

List of Disclosable Pecuniary Interests:

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

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members’ conduct guidelines.

<http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/> or contact Glenn Watson on **07776 997946** or glenn.watson@oxfordshire.gov.uk for a hard copy of the document.

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

AGENDA

1. Apologies for Absence and Temporary Appointments

2. Declaration of Interests - see guidance note

3. Minutes (Pages 1 - 12)

To approve the minutes of the meetings held on 6 September 2018 and 12 September 2018 and to receive information arising from them.

4. Petitions and Public Address

5. Highways Update with Skanska

2.05

Skanska have been invited by the Audit & Governance Committee to provide an update on the Highways Contract, including specific focus on the Skanworks system. They will give a presentation at the meeting.

6. Update on the Carillion Recovery & Improvement Plan (Pages 13 - 18)

2.45

Report by the Director, Capital, Investment & Delivery

In July, the Audit & Governance Committee considered a report on the implementation of the Carillion Recovery & Improvement Plan. The Plan includes four phases of work following the transition of the services from Carillion (phase 1) in February 2018. These include:

Phase 2 - Stabilisation - involving operational issues falling out of the transfer of staff and functions from Carillion

Phase 3 - Assessment of Carillion Legacy Issues - a more detailed assessment of completed and part completed projects, as well as audits of statutory and operational compliance

Phase 4 - Implementation – this includes the programme of work for the rectification of known defects, any work resulting from latent defects and the programme of maintenance, repairs and replacement identified from the asset surveys.

This report outlines progress since July on phases 2 – 4 and the next steps for several strands of the project. For some areas, the work is now at the point where it is more helpfully delivered through the business-as-usual (BAU) arrangements, particularly with

the new Assistant Directors now in post.

The Committee is recommended to:

- a) **consider and comment on continuing progress in implementation of the Carillion Recovery & Improvement Plan;**
- b) **note that the costs relating to rectification will be considered within the council's annual budget cycle and processes for 2019/2020.**

7. Treasury Management Mid Term Review 2018/19 (Pages 19 - 36)

3.15

Report by the Director for Finance.

The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Treasury Management (Revised) 2011 recommends that members are informed of Treasury Management activities at least twice a year. This report ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.

The Committee is RECOMMENDED to

- a) **note the report; and**
- b) **recommend Cabinet to note the report and to RECOMMEND Cabinet to note the Council's Mid-Term Treasury Management Review 2018/19.**

8. External Auditors (Verbal Report)

3.30

Verbal update from the External Auditors, Ernst & Young.

9. Establishing A Joint Sub-Committee For The Fit For The Future Programme (Pages 37 - 42)

3.40

Report by the Director of Law and Governance

In October 2018, Cabinet agreed an implementation strategy for the Council's new Operating Model that had itself been previously endorsed at the September Cabinet meeting.

The Performance Scrutiny and Audit and Governance Committees have taken an active role in the development of the Fit for the Future programme as the programme's implementation and the functionality of the new Operating Model will have significant implications across the areas of responsibilities of both committees. Both committees

are therefore expected to continue their roles of monitoring and of challenging performance, delivery, reporting and control. The October Cabinet report noted that the Committees may wish to consider how they are organised through the life-time of the programme, including the potential establishment of individual or joint sub-committees as the business of the Committees demands.

This report considers the requirements for new arrangements and proposes the establishment of a Joint Sub-Committee. This same report is being considered by the Performance Scrutiny on 8 November and Audit and Governance Committee on 14 November.

The Committee is RECOMMENDED to:

- a) **Agree to the establishment of a joint Sub-Committee of the Performance Scrutiny and Audit & Governance Committees as set out in paragraphs 18-20.**
- b) **Agree to the terms of reference set out in Annex 1.**

10. Partnership Arrangements with Cherwell District Council - Joint Committees (Pages 43 - 48)

3.55

Report by the Monitoring Officer

At the Audit & Governance Committee on the 12 September, members asked for further clarity as to the role and purpose of the Joint Committees established by Full Council on the 11 September to facilitate the joint working arrangements with Cherwell District Council (CDC).

This report seeks to bring that clarity and to enable the Committee to approve the terms of reference for the Joint Committees.

The Committee is RECOMMENDED to:

- a) **Agree that the proposed Joint Personnel Committee be named 'The Joint Shared Services and Personnel Committee';**
- b) **Approve the proposed terms of reference for the Joint Shared Services and Personnel Committee (as in Annex 1); and**
- c) **Approve the proposed terms of reference for the Joint Appeals Committee (as In Annex 1).**

11. Quarterly Update: Counter Fraud Strategy and Plan for 2018/19 (Pages 49 - 52)

4.10

Report by the Director for Finance.

This report presents a quarterly progress update of the Counter Fraud Strategy and Plan for 2018/19. The plan supports the Council's Anti-Fraud and Corruption Strategy by ensuring that the Council has in place proportionate and effective resources and controls to prevent and detect fraud as well as investigate those matters that do arise.

The committee is RECOMMENDED to comment and note the progress update regarding Counter Fraud Strategy and Plan for 2018/19.

12. Senior Staffing Arrangements (Pages 53 - 58)

4.25

Report by the Director of Law and Governance

This report seeks Audit & Governance's support for a proposed amendment to the Constitution relating to senior management appointments to ensure that those appointments within Oxfordshire County Council are made efficiently whilst ensuring accountability. This would also avoid confusion that has arisen as to the definition of Chief Officers and Deputy Chief Officers. These terms have a statutory definition that impacts on the appointment process.

Currently, the terms of reference of the Remuneration Committee are that it has a role in appointing Directors with no distinction made between 'Strategic Directors' and any other 'Directors'. This report proposes a distribution of responsibility that provides greater clarity. The choice of which posts should be appointed by the Remuneration Committee lies with the County Council itself and is not determined by regulations.

This matter is entirely separate from the arrangements being finalised by the Committee for handling any joint management appointments arising from the Oxfordshire-Cherwell Partnership. The scenarios in this report are solely those that the Council is required to have in place for its own appointments outside of that context.

The Committee is RECOMMENDED to

- (a) endorse the proposed changes to appointments in paragraphs 10 and 11;**
- (b) ask Full Council to approve these changes accordingly including the necessary changes to the Pay Policy Statement; and**
- (c) agree that the Monitoring Officer make the necessary textual amendments to the Constitution to give effect to Full Council's decision.**

13. Audit Working Group Report (Pages 59 - 62)

4.40

This report presents the matters considered by the Audit Working Group Meeting of 24 October 2018.

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

14. Work Programme (Pages 63 - 64)

4.50

To review the Committee's Work Programme

Close of meeting

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

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AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Thursday, 6 September 2018 commencing at 3.00 pm and finishing at 4.20 pm

Present:

Voting Members: Councillor Nick Carter – in the Chair

Councillor Tony Ilott (Deputy Chairman)

Councillor Paul Buckley

Councillor Charles Mathew

Councillor Les Sibley

Councillor Roz Smith

Councillor Emma Turnbull (In place of Councillor D. McIlveen)

Councillor Liam Walker (In place of Councillor Ian Corkin)

Councillor Glynis Phillips

By Invitation: Ben Pykett, PwC

Officers:

Whole of meeting Peter Clark, Chief Executive; Lorna Baxter, Director for Finance; Ian Dyson, Assistant Chief Finance Officer (Assurance)

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

51/18 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies were received from Councillor Ian Corkin (Councillor Liam Walker substituting), Councillor D McIlveen (Councillor Emma Turnbull substituting) and Dr Geoff Jones.

52/18 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE

(Agenda No. 2)

There were no declarations of interest.

53/18 MINUTES

(Agenda No. 3)

It was agreed to defer the minutes to the next meeting on 12 September 2018.

54/18 IMPLEMENTING A NEW OPERATING MODEL FOR OXFORDSHIRE COUNTY COUNCIL

(Agenda No. 5)

Ian Dyson outlined the role of the Committee to ensure that there has been good governance in the development of the proposed operating model and to examine the financial elements and associated risks. They must also consider, if the model is adopted by Cabinet, that there are sufficient internal controls and adequate risk management to ensure the continuation of “business as usual” as well as the introduction of new systems.

Peter Clark introduced the report and emphasised that it was not about cuts to services but involved service improvements, community engagement and supporting staff better.

Members raised various issues and the officers and Ben Pykett of PwC responded as follows:

- The estimate for income generation is prudent and reflects the current risk appetite of the council. There could be opportunities to go further – in particular with asset strategy. The Council is already retrieving some costs through charges for adult services.
- Regarding the retention of staff through the period of uncertainty (Agenda Page 361), there has been 18 months of staff engagement in the development process including two staff conferences, activity analyses, briefings and meetings around various council offices. Nobody can give certainty but Oxfordshire is in a far better position than many other councils having taken the necessary tough decisions in recent years.
- The new Chief Executive starts on 1 October 2018 and a series of briefings has been arranged for her. She is fully supportive of the changes and will be backed up by a good team of directors who have been fully engaged in the transformation programme.
- Regarding the joint working arrangements with Cherwell, this operating model will help the County Council to be clearer in itself while engaging with the District Council to identify opportunities for alignment.
- It was agreed that the £3m set aside to support the changes should be recorded in the section on mitigation of the risks to delivery of business as usual activities.
- Regarding the role of the IBC and impact on the operating model, there is further work to be undertaken to identify and remedy any gaps between the existing processes, which is underway jointly as part of the ongoing partnership management.
- New technology will play a key role and the Council has learned from recent difficulties in this regard and is aware of the importance of more robust planning, more staff engagement and training.
- The next stage of the process will deal with implementation options. No decisions have been taken on outsourcing versus in-house support – the model just sets out what the Council needs.

It was agreed that it would be useful to have some sort of joint subcommittee with the Performance Scrutiny Committee to ensure that between them the committees cover all aspects of the transformation programme and avoid duplication.

..... in the Chair

Date of signing

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AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 12 September 2018 commencing at 1.30 pm and finishing at 4.50 pm

Present:

Voting Members: Councillor Nick Carter – in the Chair

Councillor Tony Ilott (Deputy Chairman)
Councillor Paul Buckley
Councillor Ian Corkin
Councillor Charles Mathew
Councillor D. McIlveen
Councillor Les Sibley
Councillor Roz Smith
Dr Geoff Jones
Councillor Glynis Phillips

Non-voting Members: Dr Geoff Jones

By Invitation: Paul King, Ernst & Young
James Doble, Assistant Director: Law and Governance
and Monitoring Officer, Cherwell District Council
Claire Taylor, Business Transformation Manager,
Cherwell District Council

Officers:

Whole of meeting Lorna Baxter, Director for Finance; Nick Graham,
Director for Law and Governance; Ian Dyson, Assistant
Chief Finance Officer (Assurance); Sarah Cox, Chief
Internal Auditor; Colm Ó Caomhánaigh, Committee
Officer.

Part of meeting

Agenda Item	Officer Attending
9, 11	Glenn Watson, Principal Governance Officer
10	Richard Webb, Head of Community Protection Services

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

1/18 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

There were no apologies.

It was agreed that Councillor D McIlveen will take the vacant position on the Audit Working Group.

2/18 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE

(Agenda No. 2)

There were no declarations of interest.

3/18 MINUTES

(Agenda No. 3)

The minutes of the meeting of 25 July 2018 were approved and signed.

4/18 UPDATE ON THE FINANCIAL MANAGEMENT ACTION PLAN

(Agenda No. 5)

Lorna Baxter made a presentation on the Financial Management Action Plan to update the Committee on progress. Members raised various issues and officers responded as follows:

- The 19 Members who were sent the questionnaire on organisational financial management were members of the Cabinet and Committees. This Committee can still input into that assessment.
- There were no surprises in the feedback. The comments were a fair reflection on the situation. The questionnaires were confidential but some feedback could be shared with the Committee.
- The actions will be tracked for completion and there will be a follow-up questionnaire after a suitable period.
- Interviews could be arranged with Members who found the questionnaire too daunting.
- It is expected that restructuring will mostly involve realigning teams to better reflect how the Council works.
- Regarding governance of the implementation of the proposed new operating model, a Members' reference group is envisaged with regular reporting to this Committee.
- Officers are confident of the savings in the business case but further savings will depend on the appetite of the Council for more.
- The implementation costs of £18m are a broad brush figure that needs further work.
- There will be separate reporting of the Capital Programme now that it has become more significant.

5/18 INTERNAL AUDIT PLAN - PROGRESS REPORT

(Agenda No. 6)

Sarah Cox introduced the report and responded to Members' questions as follows:

- The recruitment of a replacement Senior Auditor will commence shortly. The previous secondment of the Senior Auditor and the chargeable audit days lost to this is being covered by an external internal audit agency BDO.
- On counter-fraud, the City Council had been providing an investigation service and will now take on management of data matches, logging and monitoring of referrals and improving communications. Officers agreed that there was scope for countywide operations involving the district councils too.
- The green rating for the risk area "Case for Change" on Agenda Page 22 relates to overall governance. The audit identified that governance of the transformation programme had significantly improved since the period up to December 2017.
- The actions under Payments to Providers on Agenda Page 24 are not due for implementation now. The problem with payments is on timeliness. There are too many steps. A Pathways and Process Group is identifying the blockages. Lessons will be learned from this when introducing a system for children's services.
- The issues for HR and procurement in regard to the transformation working groups relate to documenting everyone's role. The Director of HR is on the Resources Working Group. Representation of Procurement on the Resources Working Group is being reviewed.

RESOLVED: to note the progress with the 18/19 Internal Audit Plan and the outcome of the completed audits.

6/18 EXTERNAL AUDITORS

(Agenda No. 7)

Paul King introduced the Annual Audit Letter which is largely a summary of the audit result report. He drew attention to the new standards that will have to be introduced, outlined on Agenda Pages 42 and 43. The leasing standard will have an impact.

Members welcomed the more compact report format. Paul King responded to issues raised as follows:

- The main issues involved in valuation of land and buildings are depreciation, existing use and market value.
- Reference is made to codes and guides and they can involve E&Y's own valuers if necessary. The last time that they had to do that was with the Oxfordshire Museum in 2016/17 and they were happy with the Council's evaluation.
- The issue regarding Accounting for Service Concessions on Agenda Page 34 related to external provision of care homes. This is a legacy issue from the 2016-17 audit and the external auditors are happy with the accounting changes introduced by the Council in 2017-18.
- The unadjusted misstatement referred to on Agenda Page 33 relates to a difference between the estimated values of Pension Fund assets forecast at the end of December and the actual figures available at the end of March. This is

therefore a timing difference in the availability of information, and does not reflect any error or omission on the part of either the actuary or Council officers. The £14.3m difference is not material.

RESOLVED: to note the Annual Audit Letter.

7/18 JOINT WORKING ARRANGEMENTS WITH CHERWELL DISTRICT COUNCIL: GOVERNANCE ARRANGEMENTS

(Agenda No. 8)

The report and accompanying documents were introduced by Nick Graham. The Partnership Working Group (PWG) will look at services that could work together between the Councils. Cabinet will make the final decisions. In response to suggestions from the discussion at the July Audit & Governance Committee meeting on the Protocol for Conflicts of Interest, provisions have been introduced for 'dual hat' councillors.

Nick Graham along with James Doble and Claire Taylor from Cherwell District Council responded to Members' questions as follows:

- A correction was noted in paragraph 14 of the report that the Joint Personnel Committee should have five members from each council.
- The OCC members of the PWG will not all be from the Cherwell area and the committees will be politically balanced.
- There will be no changes for shared staff in terms of who pays them but the Councils may share the costs of employment.
- There will still be two councils. Sharing services is really a management issue. There will be a review after 6 months of the joint arrangements.
- Although the Liberal Democrats have no rights to a voice at Cabinet meetings, they will have a Member on the PWG. Councillor Ian Corkin, Cabinet Member for the Cherwell Partnership, also offered to work in an open way to draw on the experience of backbenchers.
- The stipulation of a quorum of 4 for an Appeals Panel meeting will be reviewed as it has been suggested that 3 should be the maximum that an employee should have to face on such a panel.
- It was agreed that the wording of the first bullet point under Joint Appeals Panel was not clear and needs to be reviewed.
- It was also agreed that the title of the Joint Personnel Committee could be misleading.
- The financial split of the costs of the Chief Executive will not be scientific but must have some regard to the respective sizes of the councils.

It was agreed to defer recommendation c) and amend g) to refer only to the documents approved by the Committee.

RESOLVED:

- a) To note the agreed Section 113 Agreement (Annex 1);**

- b) To note the agreed Terms of Reference for the Partnership Working Group (at Annex 2);
- d) To note and endorse the 'Roles of Members and Officers and Dealing with Conflicts of Interest' Protocol (including the Ethical Walls Procedure appended to it) (Annex 3);
- e) To note and endorse the 'Chief Executive Protocol' at Annex 3 of this report;
- f) To agree regularly to monitor the operation of the 'Roles of Members and Officers and Dealing with Conflicts of Interest' Protocol (including the Ethical Walls Procedure appended to it) as at Annex 3 of this report;
- g) To delegate authority to the Monitoring Officer to make any further minor adjustments to the approved documents and to make the necessary changes to the Council's Constitution.

8/18 LOCAL GOVERNMENT OMBUDSMAN - ANNUAL REVIEW REPORT

(Agenda No. 9)

Nick Graham and Glenn Watson introduced the report. The number of complaints against the Council is low and only 7 out of 40 were upheld in 2017/18. Most of the complaints relate to adult and children's care services which tend to involve highly complex issues. It is intended to bring the LGO in to give training to staff, starting with the adult services section.

Officers responded to Members' questions as follows:

- The whole question of how members of the public contact the Council, whether online or in other ways, is being reviewed as part of the transformation programme. Officers are confident that all contacts made under the formal complaints process are responded to.
- Asked why no apology is mentioned as a remedy in a couple of the upheld complaints listed, officers explained that the "Remedy" column in paragraph 14 of the report details what the LGO recommended as a response.
- Complaints are reviewed quarterly by the Council to identify any lessons that might be learned.

RESOLVED: to note and comment upon this report and on the Local Government Ombudsman's Annual Review of Oxfordshire County Council for 2017/18.

9/18 COMPLIANCE WITH THE REGULATION OF INVESTIGATORY POWERS ACT 2000 AND USE OF ACTIVITIES WITHIN THE SCOPE OF THIS ACT

(Agenda No. 10)

Richard Webb introduced the report. All three authorised surveillance operations related to the sale of illegal tobacco. There was one potential breach when an officer undertook surveillance without appropriate authorisation in a social care case. This

was reported to the Commissioner's Office and managers were reminded of the RIPA requirements.

Officers responded to Members' questions as follows:

- When breaches of tobacco licenses are discovered the usual sanction is a licence review with more conditions imposed.
- When successes are achieved, such as the seizure of over 30,000 illegal cigarettes in the last few months, the Council issues press releases and tried to get as much publicity as possible.

RESOLVED to:

- (a) Consider and note the use of activities within the scope of the Regulation of Investigatory Powers Act by the Council and actions taken to address the outcome of the Office of Surveillance Commissioners report, and**
- (b) Note the revised Policy document at Annex 1 and to comment on any changes to the Policy for Compliance with the Regulation of Investigatory Powers Act 2000 that the committee would wish the Monitoring Officer to consider.**

10/18 MONITORING OFFICER ANNUAL REPORT

(Agenda No. 11)

Nick Graham introduced the report which included information on call-ins, election guidance issued and a submission on ethical standards.

Members noted that the submission identified a number of changes that could be made to the local Members' Code of Conduct without having to wait for central government action. Nick Graham responded that all of the councils in the county share the same Code of Conduct and he had an initial discussion about the proposed changes in a meeting of the Monitoring Officers recently.

RESOLVED: to endorse the report.

11/18 AUDIT WORKING GROUP REPORT

(Agenda No. 12)

Sarah Cox introduced the report. The group received a progress report on Fostering and were satisfied with the action being taken to address weaknesses that had been identified. The next meeting of the working group in October will include a discussion on the implementation of the new Children's Services IT system.

RESOLVED: to note the report.

12/18 WORK PROGRAMME

(Agenda No. 13)

The following changes were agreed:

to add a discussion with Skanska to the meeting on 14 November.

to add an item on Information Governance to the meeting on 6 March 2019.

..... in the Chair

Date of signing

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Division(s): N/A

AUDIT AND GOVERNANCE COMMITTEE – 14 November 2018

Update On The Carillion Recovery & Improvement Plan

Report by the Director, Capital, Investment & Delivery

INTRODUCTION

1. In July, the Audit & Governance Committee considered a report on the implementation of the Carillion Recovery & Improvement Plan. The Plan includes four phases of work following the transition of the services from Carillion (phase 1) in February 2018. These include:
 - Phase 2 - Stabilisation** - involving operational issues falling out of the transfer of staff and functions from Carillion
 - Phase 3 - Assessment of Carillion Legacy Issues** - a more detailed assessment of completed and part completed projects, as well as audits of statutory and operational compliance
 - Phase 4 - Implementation** – this includes the programme of work for the rectification of known defects, any work resulting from latent defects and the programme of maintenance, repairs and replacement identified from the asset surveys.
2. This report outlines progress since July on phases 2 – 4 and the next steps for several strands of the project. For some areas, the work is now at the point where it is more helpfully delivered through the business-as-usual (BAU) arrangements, particularly with the new Assistant Directors now in post.

DETAIL

Phase 2 - Stabilisation

3. With the very rapid transfer of staff, it was not possible to fully resolve all the operational issues prior to transfer. These include several HR issues: DBS checks for all relevant staff; ensuring complete recruitment documentation for transferred staff e.g. employment references; assessing the pay, terms and conditions of those staff.
4. All recruitment documentation is in place and while DBS checks have yet to be finalised, risks assessments have been undertaken for all relevant staff. In conjunction with managers, HR is continuing to pursue the remaining DBS checks.
5. The assessment of staff pay is complete and indicates most staff are below OCC pay rates, in addition to other differences in working arrangements, terms and conditions. The overall approach will be to align pay, terms and

conditions of transferred staff with OCC arrangements. This has already been done for catering and cleaning staff.

6. The remaining staff, including managers, are in Facilities Management (FM). This will be considered within the proposals for reconfiguring the service – including roles and grades - that will be implemented early in 2019, as part of a new operating model for FM.
7. These remaining stabilisation issues will now be monitored and managed as part of the business-as-usual arrangements

Phase 3 - Assessment and Rectification of Carillion Legacy Issues

8. This includes five strands:
 - part completed projects
 - rectification of known defects with completed projects
 - treatment of latent defects
 - potential recovery of costs
 - statutory compliance and operational compliance of the non-schools estate
9. **Part Completed Projects** Of the seventeen part completed projects, all the smaller projects (13) involving work on Adults and Children & Families facilities have been completed. Three of the larger school projects – Chilton, Fir Tree and Sutton Courtenay schools - have also been completed. For the remaining projects - Matthew Arnold and West Witney Primary Schools – contracts and contractors are in place, with completion dates between July and August 2019.
10. The continuing oversight and management of these projects and the management of any issues that might arise in relation to these completed projects will be through the Infrastructure Delivery Team within the Capital, Investment & Delivery Directorate, led by the Assistant Director.
11. **Rectification of Known Defects with Completed Projects** Carillion undertook 602 projects over the lifetime of the contract, ranging in value from £5k to £10 million. The total spend on these projects was £123 million.
12. To make the task of assessing the defects more manageable, a 'de minimis' threshold of £20k was set, on the basis that these were minor works e.g. supply of kitchen appliances, with minimal risk/impact on services should any defects occur, and were defects would be straightforward to rectify.
13. The remaining 162 projects (to the value of £102 million of the total spend) were assessed to determine the types and extent of defects. A small number of these were assessed by OCC staff. The bulk of them (147) were surveyed by an external company, TDM Ltd. The surveys identified a range of issues, from missing contract certification, H&S and Operational & Maintenance manuals and building control certification, as well as unsatisfactory fire strategies and planning conditions not fulfilled, to major elements unsuitably executed.

14. While the assessments have provided a sound basis for determining the immediate costs of rectification, given the scale and extent of the issues already identified, it is considered expedient to review these costs to confirm the overall capital provision required to fund the defects programme.
15. Work is underway putting together the detail of the programme, including programme management resources, the approach to procurement of different types of work and a communications plan to ensure regular engagement with end users. The aim is to start the programme in early December.
16. ***Treatment of Latent Defects*** In the normal course of a project, the contractor will rectify defects during the twelve months after project handover. After twelve months, any further defects, or latent defects, are dealt with under the warranty.
17. In the absence of the contractor, the council is taking on the responsibility for dealing with latent defects. The nature of these is unknown at this point, but where they occur, the council will assess what rectification work is required and manage its delivery.
18. Several options for funding these costs have been considered, including insurance from third parties, enforcing the warranties of sub-contractors involved in the projects, or provision by the council, in effect self-insurance.
19. Discussions with insurance providers confirm this would be difficult to obtain, as well as being very expensive. The council does not have the necessary documentation to enforce warranties, which rules out this option.
20. The only viable option therefore is self-insurance. It is proposed to set up a reserve fund within the Capital Programme through the council's capital service and resource planning process. The size of this fund will be agreed by Capital Investment Programme Board, as part of the consideration of the mechanisms and processes for managing latent defects.
21. In terms of the mechanisms for managing this fund and rectification of latent defects, it will include mechanisms for assessing whether it is a defect in the original construction work or the result of other factors e.g. wear and tear, intentional or unintentional damage, lack of maintenance etc. If the latter, this will not be covered by the latent defects arrangements. The programme will be managed and delivered by the Infrastructure Delivery team, led by the Assistant Director.
22. ***Recovery of Costs from the Council by the Carillion Liquidators*** PwC are acting on behalf of the Official Receiver in relation to the Carillion liquidation. Since March there has been a continuing discussion and exchange of correspondence relating to monies PwC claims are owed by the council.
23. The council is in turn claiming the costs of rectification of project defects. (Insolvency legislation requires that any money owed to the council is set-off against any money the council owes.)

24. In relation to the invoices, in June the council provided a detailed analysis, indicating either that they had been paid, or with requests for additional information to investigate further. PwC has not responded to this communication. In relation to the overhead and sinking fund costs, the council has made clear it will not pay these costs, as they occurred after the council had terminated its contract with Carillion.
25. In August PwC again wrote to the council, asking for settlement of the claim and indicating non-payment could result in PwC issuing a statutory demand, selling the debt to a third party or referring the dispute to arbitration.
26. The council replied to PwC at the beginning of September and a meeting is now proposed in November, following the exchange of further information from both sides.
27. **Recovery of Costs by the Council** The council is continuing to consider and pursue other ways it might recover costs from other contractors involved in the Carillion contract.
28. **Statutory Compliance of Non-Schools Estate** Significant progress has been made to assess and ensure full compliance across the corporate (non-schools) estate and the statutory compliance areas (fire; gas; water; electrical; asbestos; lifts).
29. The audit was Initially expected to complete in October, however there has been some delay because of additional buildings being identified that were not in the original scope of the audit. The audit will now be completed by the end of November.
30. For areas where full compliance is not yet achieved, work is underway to achieve compliance, all of which should be completed by the end March 2019.
31. **Operational Compliance - Asset Collection and Condition Surveys** The surveys are underway and are also expected to complete by the end of November. This will provide the information required to develop a five year, prioritised asset maintenance (repair/replacement) programme.

Phase 4 - Implementation

32. The defects rectification programme is in development and will be the responsibility of the Assistant Director, Major Infrastructure Delivery, with oversight by the Communities Working Group, chaired by the Strategic Director.
33. Given the number of major projects relating to schools, the programme is likely to take two years, with a target completion date of August 2020.
34. Once completed, the management and maintenance of the property will become the responsibility of the tenant (i.e. school or corporate FM etc). Should any defects arise after this point it will need to be considered under a different process.

35. The latent defects programme will also be managed by the Infrastructure Delivery team.

Financial and Staff Implications

36. Costs relating to the first three phases of the project fall into three areas:
- additional staffing resources to ensure continuity of service, as well as the development and delivery of solutions to the Carillion legacy issues;
 - funding for the detailed assessment of the project and operational legacy issues
 - costs related to the resolution of staffing legacy issues
37. **Assessment of Carillion Legacy Issues** The costs relating to the assessment of legacy issues are shown below. Please note these costs only relate to the cost of undertaking the assessments/audits, not the rectification works resulting from the legacy issues.

Table 1: Assessment of Carillion Legacy Issues

Activities	2018/19 £000s	Funding
Technical assessment of project defects	450	Agreed through the capital programme
Audit of statutory and operational compliance	1,250	Originally through CLT, but it is proposed that the overspend be reported as part of the routine Finance Monitoring Reporting process #
Total	1,700	

38. **Costs of Defects Rectification** Until such time that all possible avenues have been explored to reclaim the cost of these works, the required budget provision is to be forward funded through the capital programme. The funding mechanisms for this will be determined through the annual service & resource planning process. Possible options could be:
- the reprioritisation or utilisation of current budget blocks within the ten year capital programme
 - utilisation of the £120m prudential borrowing programme
 - or another funding solution.
43. **Funding Latent Defects Rectification** Further analysis of all risks associated with the delivery and funding of the capital programme will be undertaken through the council's service & resource planning process. This will also include a provision for potential latent defects. This will be combined with the risk fund and held within the earmarked reserves of the capital programme and will be managed through the capital governance framework.

Equalities Implications

39. None directly related to the project.

RECOMMENDATION

40. **The Committee is recommended to:**
- a) consider and comment on continuing progress in implementation of the Carillion Recovery & Improvement Plan;**
 - b) note that the costs relating to rectification will be considered within the Council's annual budget cycle and processes for 2019/2020.**

Alexandra Bailey, Director for Capital, Investment & Delivery

Background papers: None

Contact Officer: Varinder Raulia, Assistant Director, Infrastructure Delivery

Division(s): N/A

AUDIT & GOVERNANCE COMMITTEE – 14 November 2018

TREASURY MANAGEMENT MID-TERM REVIEW 2018/19

Report by Director for Finance

Introduction

1. The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Treasury Management (Revised) 2011 recommends that members are informed of Treasury Management activities at least twice a year. This report ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.
2. The following annexes are attached
 - Annex 1 Debt Financing 2018/19
 - Annex 2 PWLB Debt Maturing
 - Annex 3 Prudential Indicator Monitoring
 - Annex 4 Arlingclose Quarter 2 Benchmarking
 - Annex 5 Specified & Non Specified Investments 2018/19

Strategy 2018/19

3. The approved Treasury Management Strategy for 2018/19 was based on an average base rate forecast of 0.63% (0.50% from April to September, then 0.75% from October to March).
4. The Strategy for borrowing provided an option to fund new or replacement borrowing up to £50m through internal borrowing.
5. The Strategy included the continued use of pooled fund vehicles with variable net asset value.

External Context – Provided by Arlingclose

6. **Economic backdrop:** Oil prices rose by 23% over the six months to around \$82/barrel. UK Consumer Price Inflation (CPI) for August rose to 2.70% year/year, above the consensus forecast and that of the Bank of England's in its August *Inflation Report*, as the effects of sterling's large depreciation in 2016 began to fade. The most recent labour market data for July 2018 showed the unemployment rate at 4%, its lowest since 1975. The 3-month average annual growth rate for regular pay, i.e. excluding bonuses, was 2.90% providing some evidence that a shortage of workers is providing support to wages. However real wages (i.e. adjusted for inflation) grew only by 0.20%, a marginal increase unlikely to have had much effect on households.
7. The rebound in quarterly GDP growth in Q2 to 0.40% appeared to overturn the weakness in Q1 which was largely due to weather-related factors. However, the detail showed much of Q2 GDP growth was attributed to an increase in inventories. Year/year GDP growth at

1.20% also remains below trend. The Bank of England made no change to monetary policy at its meetings in May and June, however hawkish minutes and a 6-3 vote to maintain rates was followed by a unanimous decision for a rate rise of 0.25% in August, taking Bank Rate to 0.75%.

8. Having raised rates in March, the US Federal Reserve again increased its target range of official interest rates in each of June and September by 0.25% to the current 2%-2.25%. Markets now expect one further rise in 2018.
9. The escalating trade war between the US and China as tariffs announced by the Trump administration appeared to become an entrenched dispute, damaging not just to China but also other Asian economies in the supply chain. The fallout, combined with tighter monetary policy, risks contributing to a slowdown in global economic activity and growth in 2019.
10. The EU Withdrawal Bill, which repeals the European Communities Act 1972 that took the UK into the EU and enables EU law to be transferred into UK law, narrowly made it through Parliament. With just six months to go when Article 50 expires on 29th March 2019, neither the Withdrawal Agreement between the UK and the EU which will be legally binding on separation issues and the financial settlement, nor its annex which will outline the shape of their future relationship, have been finalised, extending the period of economic uncertainty.
11. **Financial markets:** Gilt yields displayed marked volatility during the period, particularly following Italy's political crisis in late May when government bond yields saw sharp moves akin to those at the height of the European financial crisis with falls in yield in safe-haven UK, German and US government bonds. Over the period, despite the volatility, the net change in gilt yields was small. The 5-year benchmark gilt only rose marginally from 1.13% to 1.16%. There was a larger increase in 10-year gilt yields from 1.37% to 1.57% and in the 20-year gilt yield from 1.74% to 1.89%. The increase in Bank Rate resulted in higher in money markets rates. 1-month, 3-month and 12-month LIBID rates averaged 0.56%, 0.70% and 0.95% respectively over the period.
12. **Credit background:** Reflecting its perceived higher risk, the Credit Default Swap (CDS) spread for non-ringfenced bank NatWest Markets plc rose relatively sharply over the period to around 96bps. The CDS for the ringfenced entity, National Westminster Bank plc, has held steady below 40bps. Although the CDS of other UK banks rose marginally over the period, they continue to remain low compared to historic averages.
13. The ringfencing of the big four UK banks - Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc – is complete, the transfer of their business lines into retail (ringfenced) and investment banking (non-ringfenced) is progressing and will need to be completed by the end of 2018.
14. There were a few credit rating changes during the period. Moody's downgraded Barclays Bank plc's long-term rating to A2 from A1 and NatWest Markets plc to Baa2 from A3 on its view of the credit metrics of the entities post ringfencing. Upgrades to long-term ratings included those for Royal Bank of Scotland plc, NatWest Bank and Ulster Bank to A2 from A3 by Moody's and to A- from BBB+ by both Fitch and Standard & Poor's (S&P). Lloyds Bank plc and Bank of Scotland plc were upgraded to A+ from A by S&P and to Aa3 from A1 by Moody's.

15. Our treasury advisor Arlingclose will henceforth provide ratings which are specific to wholesale deposits including certificates of deposit, rather than provide general issuer credit ratings. Non-preferred senior unsecured debt and senior bonds are at higher risk of bail-in than deposit products, either through contractual terms, national law, or resolution authorities' flexibility during bail-in. Arlingclose's creditworthiness advice will continue to include unsecured bank deposits and CDs but not senior unsecured bonds issued by commercial banks.

Treasury Management Activity

Debt Financing

16. The Council's cumulative total external debt has decreased from £367.38m on 1 April 2018 to £346.38m by 30 September 2018, a net decrease of £21m. No new debt financing has been arranged during the year. The total forecast external debt as at 31 March 2019, after repayment of loans maturing during the year, is £343.38m. The forecast debt financing position for 31 March 2019 is shown in Annex 1.
17. At 30 September 2018, the authority had 60 PWLB¹ loans totalling £296.38m, 9 LOBO² loans totalling £45m and 1 long-term fixed Money Market loan totalling £5m³. The combined weighted average interest rate for external debt as at 30 September 2018 was 4.44%.

Maturing Debt

18. The Council repaid £21m of maturing PWLB loans during the first half of the year. The details are set out in Annex 2.

Debt Restructuring

19. The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt restructuring activity. No PWLB debt restructuring activity was undertaken during the first half of the year. Opportunities to restructure debt remain under regular review.

LOBOs

20. At the beginning of the financial year the Authority held £45m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £20m of these LOBOs had options

¹ PWLB (Public Works Loans Board) is a Government agency operating within the United Kingdom Debt Management Office and is responsible for lending money to Local Authorities.

² LOBO (Lender's Option/Borrower's Option) Loans are long-term loans which include a re-pricing option for the bank at predetermined intervals.

³ In June 2016, the Council's LOBO with Barclays PLC was converted to a fixed rate loan at its current interest rate of 3.95% to mature on the 29th May 2065 with Barclays waiving their right to change the interest rate on the loan in the future.

during 2018/19, to the 30 September 2018 none had been exercised by the lender. The Authority acknowledges there is an element of refinancing risk associated with LOBOs although in the current interest rate environment lenders are unlikely to exercise their options.

Investment Strategy

21. The Authority holds deposits and invested funds representing income received in advance of expenditure plus balances and reserves. The guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles. The Council continued to adopt a cautious approach to lending to financial institutions and continuously monitored credit quality information relating to counterparties.
22. During the first half of the financial year short term fixed deposits of up to 12 months have been placed with banks and building societies on the approved lending list and Money Market Funds have been utilised for short-term liquidity. Opportunities to place longer-term deposits have been limited, however four longer term loans have been entered into with other Local Authorities where the return has been attractive.
23. The Treasury Management Strategy Statement and Annual Investment Strategy for 2018/19 included the use of 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 strategy permitted up to 50% of the total portfolio to be invested with external fund managers and pooled funds (excluding Money Market Funds). The performance of the pooled funds will continue to be monitored by the Treasury Management Strategy Team (TMST) throughout the year against respective benchmarks and the in-house portfolio.

The Council's Lending List

24. The Council's in-house cash balances were deposited with institutions that meet the Council's approved credit rating criteria. The approved Lending List is updated to reflect changes in counterparty credit quality with changes reported to Cabinet on a bi-monthly basis. There were no changes to the lending list in the first half of 2018/19.
25. In the six months to 30 September 2018 there were no instances of breaches in policy in relation to the Council's Lending List. Any breaches in policy will be reported to Cabinet as part of the bi-monthly Business Strategy and Financial Monitoring report.

Investment Performance

26. Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement and Annual Investment Strategy for 2018/19.

27. The average daily balance of temporary surplus cash invested in-house in the six months to 30 September was £338m. The Council achieved an average in-house return for that period of 0.81%, above the budgeted rate of 0.75% set in the strategy. This has produced gross interest receivable of £1.38m for the period to 30 September compared to budget of £1.20m.
28. Temporary surplus cash includes; developer contributions; council reserves and balances; trust fund balances; and various other funds to which the Council pays interest at each financial year end, based on the average three month London Interbank Bid (LIBID) rate.
29. The Council uses the three month inter-bank sterling bid rate as its benchmark to measure its own in-house investment performance. During the first half of 2018/19 the average three month inter-bank sterling rate was 0.61%. The Council's average in-house return of 0.81% exceeded the benchmark by 0.20%. The Council operates a number of call accounts and instant access Money Market Funds to deposit short-term cash surpluses. The average balance held on overnight deposit in money market funds or call accounts in the 6 months to 30 September was £51.40m.
30. The UK Bank Rate increased from 0.50% to 0.75% in August 2018, two months before the Strategy Team forecast increase in October 2018. Arlingclose currently forecast the bank rate to remain at 0.75% until rising to 1.00% in March 2019, but with near term downside risk. The TMST view is that there will not be another increase in base rate this financial year.

External Fund Managers and Pooled Funds

31. The Council continued to use pooled funds with variable net asset value. Weighted by value pooled fund investments produced an overall annualised return of 2.70% for the period. These investments are held with a long-term view and performance is assessed accordingly.
32. Gross distributions from pooled funds have totalled £0.52m in the first six months of the year. This brings total income, including gross interest receivable on in-house deposits to £1.91m for the period.

Prudential Indicators for Treasury Management

33. The Authority confirms compliance with its Prudential Indicators for 2018/19, which were set as part of the Authority's Treasury Management Strategy Statement. The position as at 30 September 2018 for the Prudential Indicators is shown in Annex 3.

External Performance Indicators and Statistics

34. The County Council is a member of the CIPFA Treasury and Debt Management benchmarking club and receives annual reports comparing returns and interest payable against other authorities. The benchmarking results for 2017/18 showed that Oxfordshire County Council had achieved an average total investment return of 0.83% compared with an average of 0.81% for the all member group.

35. The average interest rate paid for all debt during 2017/18 was 4.50%, with an average of 3.80% for the comparative all member group. It should be noted that all of Oxfordshire County Council's debt is long-term, whereas the averages for the comparators include short-term debt which has a lower interest rate and so reduces the averages. Oxfordshire County Council had a higher than average proportion of its debt portfolio in PWLB loans at 84% compared to 67% for the all member group. Oxfordshire County Council had 12% of its debt in LOBO loans as at 31 March 2018 compared with an average of 14% for the comparative group.
36. Arlingclose also benchmark the Council's investment performance against its other clients on a quarterly basis. The results of the quarter 2 benchmarking to 30 September 2018 are shown in Annex 4.
37. The benchmarking results show that the Council was achieving higher than average interest on deposits at 30 September 2018, when compared with a group of 138 other local authorities. This has been achieved by placing deposits over a longer than average duration with institutions that are of higher than average credit quality.
38. Oxfordshire had a higher than average allocation to fixed and local authority deposits when compared with other local authorities in the benchmarking exercise. Oxfordshire also had a notably lower than average exposure to money market funds and call accounts.

Training

39. Individuals within the Treasury Management Team continue to keep up to date with the latest developments and attend external workshops and conferences where relevant.

Financial and Legal Implications

40. Interest payable and receivable in relation to Treasury Management activities are included within the overall Strategic Measures budget. In house interest receivable for 2018/19 is currently forecast as £2.70m, exceeding the budgeted figure of £2.40m by £0.30m. Of the forecast £2.70m interest receivable, £1.38m had been realised as at the 30 September 2018. The increased interest received is due to the achievement of higher than forecast average interest rates.
41. Dividends payable from external funds in 2018/19 are forecast as £1.05m, £0.20m above the 2018/19 budget of £0.800m. This increase is due to higher than anticipated performance by the CCLA Property Fund.
42. Interest payable is currently forecast to be in line with the budgeted figure of £15.60m.

RECOMMENDATIONS

43. **The Committee is RECOMMENDED to**
 - a) **note the report; and**

- b) **recommend Cabinet to note the report and to RECOMMEND Cabinet to note the Council's Mid-Term Treasury Management Review 2018/19.**

LORNA BAXTER
Director for Finance

Contact officer: Tim Chapple – Financial Manager – Treasury
Contact number: 07586 478653
November 2018

OXFORDSHIRE COUNTY COUNCIL DEBT FINANCING 2018/19

<u>Debt Profile</u>		£m
1. PWLB	84%	317.38
2. Other Long Term Loans	13%	50.00
3. Sub-total External Debt		367.38
4. Internal Balances		9.35
5. Actual Debt at 31 March 2018	100%	376.73
6. Government Supported Borrowing		0.00
7. Unsupported Borrowing		9.35
8. Borrowing in Advance		0.00
9. Minimum Revenue Provision		-9.35
10. Forecast Debt at 31 March 2019		376.73
<u>Maturing Debt</u>		
11. PWLB loans maturing during the year		24.00
12. PWLB loans repaid prematurely in the course of debt restructuring		0.00
13. Total Maturing Debt		-24.00
<u>New External Borrowing</u>		
14. PWLB Normal		0.00
15. PWLB loans raised in the course of debt restructuring		0.00
16. Money Market LOBO loans		0.00
17. Total New External Borrowing		0.00
<u>Debt Profile Year End</u>		
18. PWLB	78%	293.38
19. Money Market loans (incl £45m LOBOs)	13%	50.00
20. Forecast Sub-total External Debt		343.38
21. Forecast Internal Balances		33.35
22. Forecast Debt at 31 March 2019	100%	376.73

Line

- 1 – 5 This is a breakdown of the Council's debt at the beginning of the financial year (1 April 2018). The PWLB is a government agency operating within the Debt Management Office. LOBO (Lender's Option/ Borrower's Option) loans are long-term loans, with a maturity of up to 60 years, which includes a re-pricing option for the bank at predetermined time intervals. Internal balances include provisions, reserves, revenue balances, capital receipts unapplied, and excess of creditors over debtors.
- 6 'Government Supported Borrowing' is the amount that the Council can borrow in any one year to finance the capital programme. This is determined by Central Government, and in theory supported through the Revenue Support Grant (RSG) system.
- 7 'Unsupported Borrowing' reflects Prudential Borrowing taken by the authority whereby the associated borrowing costs are met by savings in the revenue budget.
- 8 'Borrowing in Advance' is the amount the Council borrowed in advance to fund future capital finance costs.
- 9 The amount of debt to be repaid from revenue. The sum to be repaid annually is laid down in the Local Government and Housing Act 1989, which stipulates that the repayments must equate to at least 4% of the debt outstanding at 1 April each year.
- 10 The Council's forecast total debt by the end of the financial year, after taking into account new borrowing, debt repayment and movement in funding by internal balances.
- 11 The Council's normal maturing PWLB debt.
- 12 PWLB debt repaid early during the year.
- 13 Total debt repayable during the year.
- 14 The normal PWLB borrowing undertaken by the Council during 2018/19.
- 15 New PWLB loans to replace debt repaid early.
- 16 The Money Market borrowing undertaken by the Council during 2018/19
- 17 The total external borrowing undertaken.
- 18-22 The Council's forecast debt profile at the end of the year.

Long-Term Debt Maturing 2018/19**Public Works Loan Board: Loans Matured during first half of 2018/19**

Date	Amount £m	Rate %
13/07/2018	0.500	2.35%
31/07/2018	0.500	2.35%
14/06/2018	10.000	3.93%
31/08/2018	10.000	3.86%
Total	21.000	

Public Works Loan Board: Loans Due to Mature during second half of 2018/19

Date	Amount £m	Rate %
22/11/2018	1.000	7.00%
22/11/2018	1.000	7.00%
13/01/2019	0.500	2.35%
31/01/2019	0.500	2.35%
Total	12.000	

Prudential Indicators Monitoring at 30 September 2018

The Local Government Act 2003 requires the Authority to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. To demonstrate that the Authority has fulfilled the requirements of the Prudential Code the following indicators must be set and monitored each year.

Authorised and Operational Limit for External Debt

Actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt below. The Operational Boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. The council confirms that the Operational Boundary has not been breached during 2018/19.

The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements. The Authority confirms that the Authorised limit was not breached in the first half of 2018/19.

Authorised limit for External Debt	£455,000,000
Operational Limit for External Debt	£435,000,000
Capital Financing Requirement for year	£409,372,000

	Actual	Forecast
	30/09/2018	31/03/2019
Borrowing	£346,382,618	£343,382,618
Other Long-Term Liabilities	£ 24,000,000	£ 24,000,000
Total	£370,382,618	£367,382,618

Interest Rate Exposures

These indicators are set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest exposures. Fixed rate investments are borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Fixed Interest Rate Exposure

Fixed Interest Net Borrowing limit	£350,000,000
Actual at 30 September 2018	£27,382,618

Variable Interest Rate Exposure

Variable Interest Net Borrowing limit	£0
Actual at 30 September 2018	-£9,133,701

Principal Sums Invested over 365 days

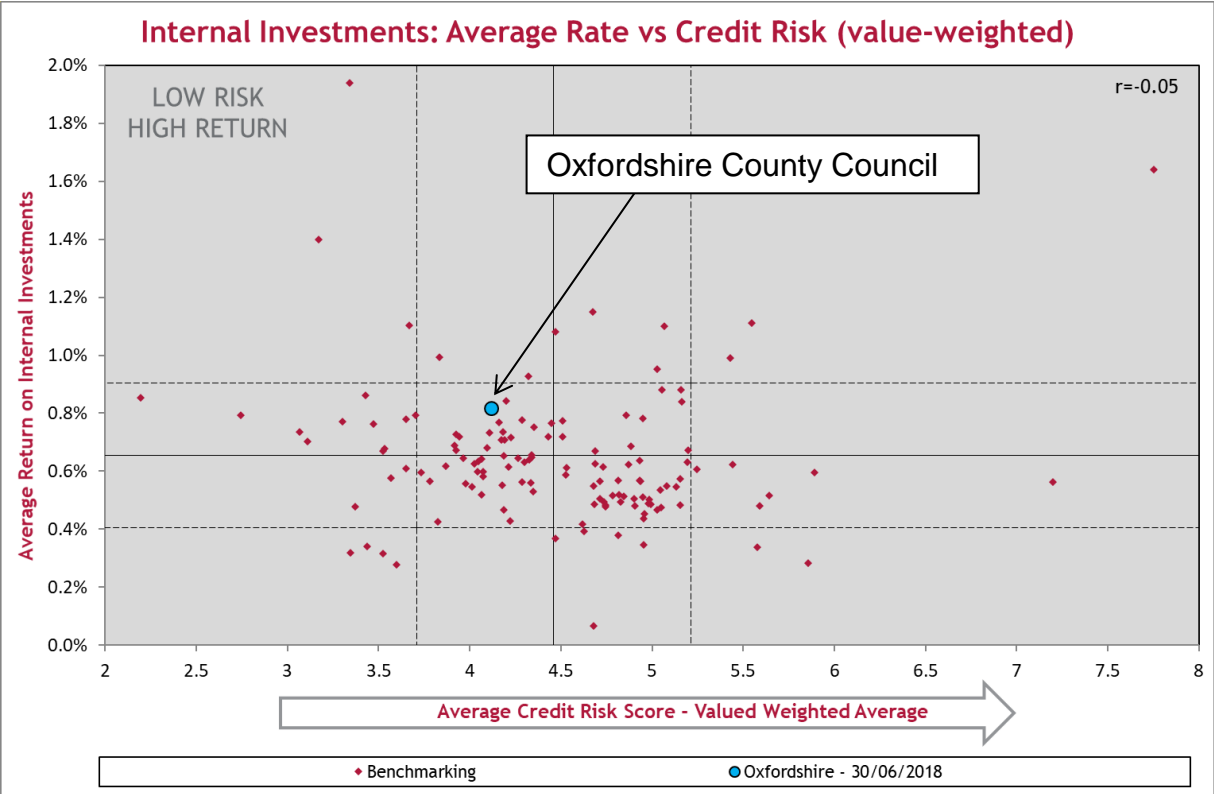
Total sums invested for more than 364 days limit	£150,000,000
Actual sums invested for more than 364 days	£ 69,000,000

Maturity Structure of Borrowing

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing and the actual structure at 30 September 2018, are shown below. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

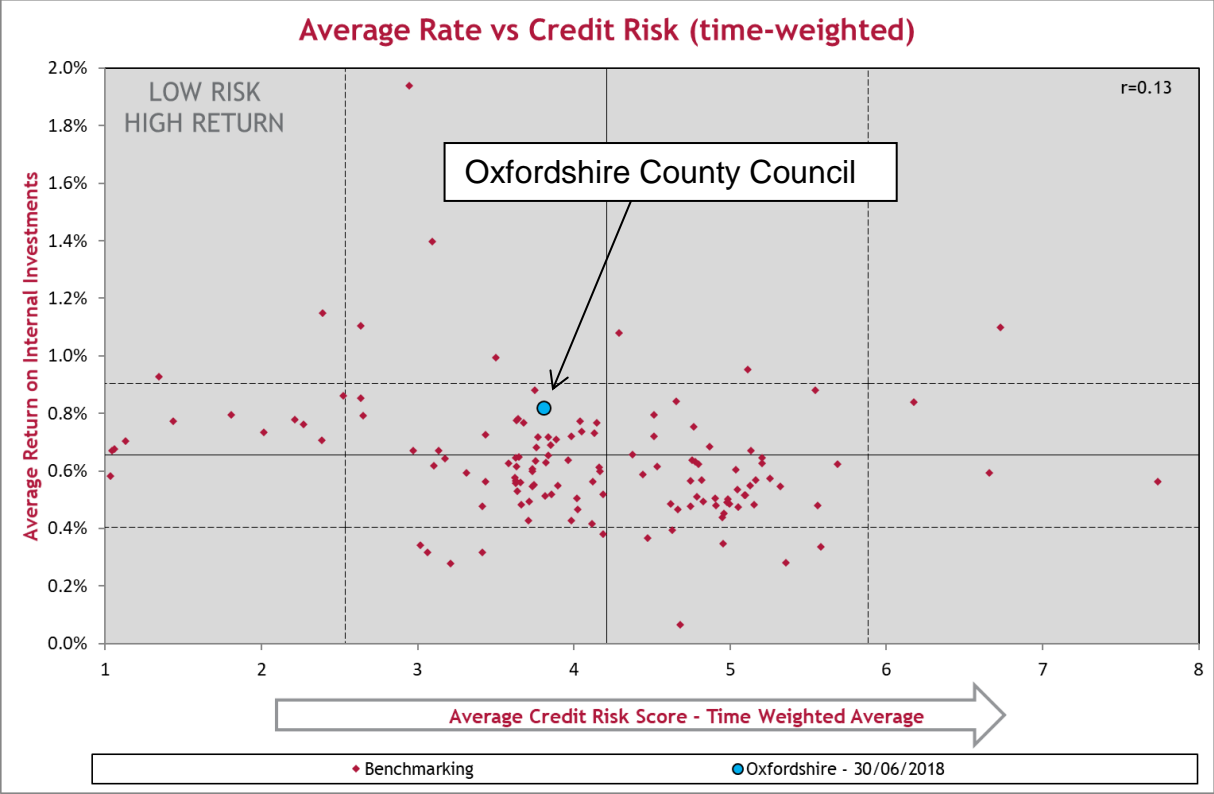
	Limit %	Actual %
Under 12 months	0 - 20	11.97
12 – 24 months	0 - 25	1.91
24 months – 5 years	0 - 35	14.97
5 years to 10 years	5 - 40	19.60
10 years +	50 - 95	51.55

Value weighted average (all clients)



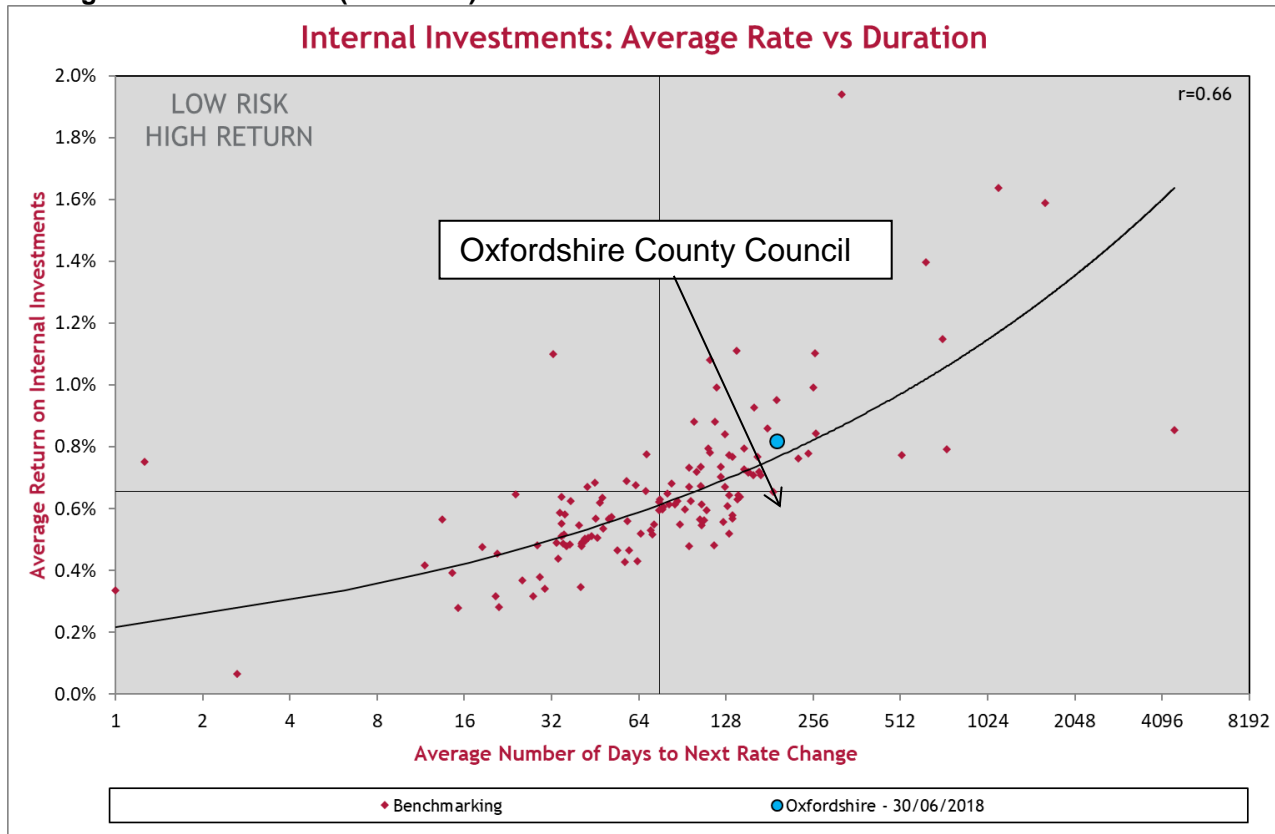
This graph shows that, at 30 September 2018, Oxfordshire achieved a higher than average return for lower than average credit risk, weighted by deposit size.

Time weighted Average (all clients)



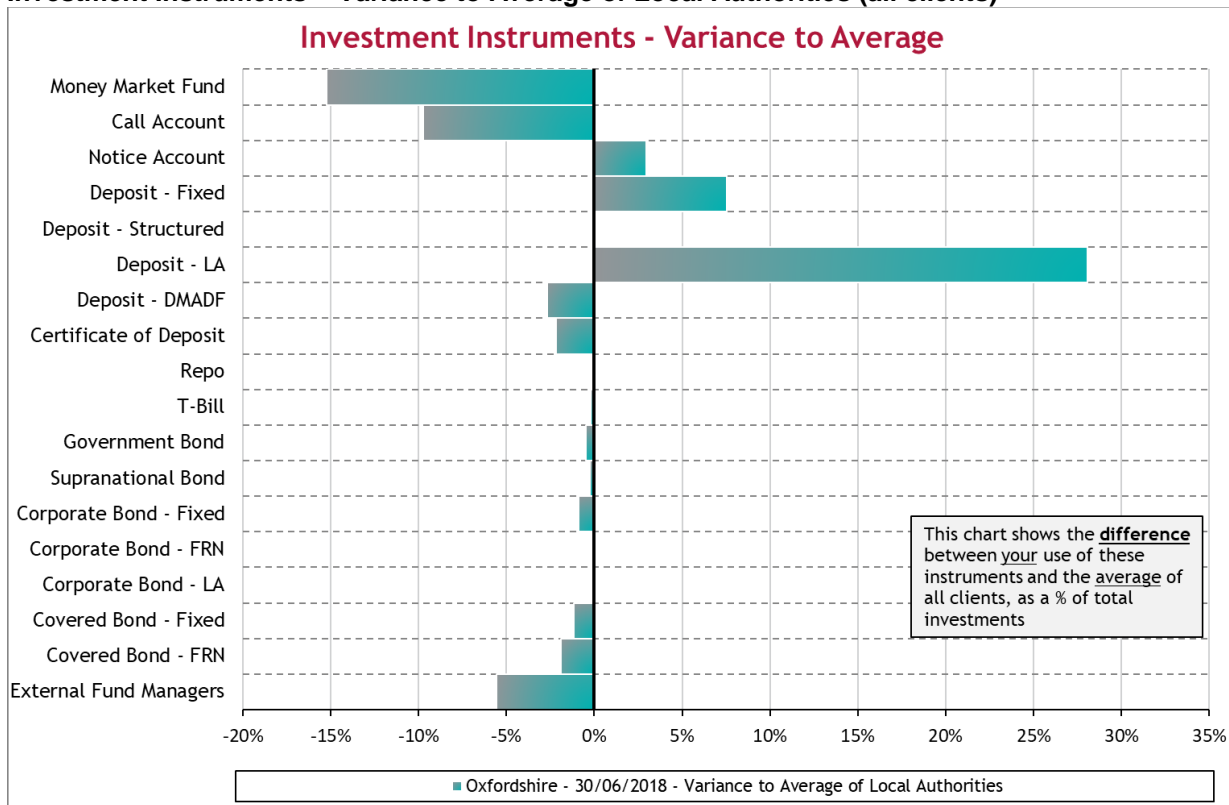
This graph shows that, at 30 September 2018, Oxfordshire achieved higher than average return for lower than average credit risk, weighted by duration.

Average Rate vs Duration (all clients)



This graph shows that, at 30 September 2018, Oxfordshire achieved a higher than average return by placing deposits for longer than average duration.

Investment Instruments – Variance to Average of Local Authorities (all clients)



This graph shows that, at September 2018, Oxfordshire had notably higher than average local authority deposits when compared with other local authorities. Oxfordshire also had notably lower exposures to money market funds and call accounts.

Specified and Non Specified Investments 2018/19

Specified Investments

Investment Instrument	Minimum Credit Criteria	Use
Debt Management Agency Deposit Facility	N/A	In-house and Fund Managers
Term Deposits – UK Government	N/A	In-house
Term Deposits – other Local Authorities	N/A	In-house
Term Deposits – Banks and Building Societies	Short-term F1, Long-term BBB+, Minimum Sovereign Rating AA+	In-house and Fund Managers
Certificates of Deposit issued by Banks and Building Societies	A1 or P1	In-house on a buy and hold basis and Fund Managers
Money Market Funds	AAA	In-house and Fund Managers
Other Money Market Funds and Collective Investment Schemes ⁴	Minimum equivalent credit rating of A+. These funds do not have short-term or support ratings.	In-house and Fund Managers
UK Government Gilts	N/A	In-house on a buy and hold basis and Fund Managers
Treasury Bills	N/A	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

Non-Specified Investments

⁴ I.e., credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

Investment Instrument	Minimum Credit Criteria	Use	Max % of total Investments	Max Maturity Period
Term Deposits – other Local Authorities (maturities in excess of 1 year)	N/A	In-house	50%	3 years
Term Deposits – Banks and Building Societies (maturities in excess of 1 year)	Short-term F1+, Long-term AA-	In-house and Fund Managers	50% in-house; 100% External Funds	3 years
Structured Products (e.g. Callable deposits, range accruals, snowballs, escalators etc.)	Short-term F1+, Long-term AA-	In-house and Fund Managers	50% in-house; 100% External Funds	3 years
UK Government Gilts with maturities in excess of 1 year	N/A	In-house and Fund Managers	50% in-house; 100% External Funds	5 years in-house, 10 years fund managers
Bonds issued by Multilateral Development Banks	AAA	In-house and Fund Managers	50% in-house; 100% External Fund	25 years
Bonds issued by a financial institution which is guaranteed by the UK Government	AA	In-house and Fund Managers	50% in-house; 100% External Fund	5 years in-house
Collective Investment Schemes ⁵ but which are not credit rated	N/A	In-house and Fund Managers	50% In-house; 100% External Funds	Pooled Funds do not have a defined maturity date

⁵ Pooled funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

Investment Instrument	Minimum Credit Criteria	Use	Max % of total Investments	Max Maturity Period
Sovereign Bond Issues	AAA	In-house on a buy and hold basis. Fund Managers	50% in-house; 100% External Funds	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	50% in-house; 100% External Funds	3 years
Covered Bonds	AAA	In-house and Fund Managers	50% in-house; 100% External Funds	20 years
Registered Providers	As agreed by TMST in consultation with the Leader and the Cabinet Member for Finance	In-house	50% In-house	5 years

The maximum limits for in-house investments apply at the time of arrangement.

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Division(s): All

AUDIT & GOVERNANCE COMMITTEE – 14 NOVEMBER 2018

Establishing A Joint Sub-Committee For The Fit For The Future Programme

Report by the Director of Law and Governance

Introduction

1. In October 2018, Cabinet agreed an implementation strategy for the Council's new Operating Model that had itself been previously endorsed at the September Cabinet meeting.
2. During development and agreement of both the September and October Cabinet reports, elected members emphasised the importance of member engagement and effective scrutiny throughout the process of transformation to:
 - Ensure the most effective use of resources
 - Monitor and challenge timescales and the delivery of benefits
 - Challenge and improve business cases
 - Review performance and delivery
 - Monitor management of risk and systems of control and performance management
 - Ensure robust programme governance arrangements are in place
 - Ensure member intelligence informs implementation
3. The Performance Scrutiny and Audit and Governance Committees have taken an active role in the development of the Fit for the Future programme as the programme's implementation and the functionality of the new Operating Model will have significant implications across the areas of responsibilities of both committees. Both committees are therefore expected to continue their roles of monitoring and of challenging performance, delivery, reporting and control. The October Cabinet report noted that the Committees may wish to consider how they are organised through the life-time of the programme, including the potential establishment of individual or joint sub-committees as the business of the Committees demands.
4. This report considers the requirements for new arrangements and proposes the establishment of a Joint Sub-Committee. This same report is being considered by the Performance Scrutiny on 8 November and Audit and Governance Committee on 14 November.

The requirement for joint sub-committee arrangements

5. The October Cabinet report noted that with respect to the Fit for the Future Programme, the Performance Scrutiny Committee would be expected to consider issues including:
 - Impact of the programme on outcomes for residents, i.e. Corporate Plan priorities;
 - Impact of the programme on service performance;
 - Impact of changes on staff;
 - Predicted costs and savings as compared to actual costs and realised savings.
6. The report went on to note that the Audit and Governance Committee would be expected to consider issues including:
 - Risks identified and mitigations proposed and actioned;
 - Systems of internal control, to include assurance that a robust performance framework is in place;
 - Governance of the project.
7. The Cabinet report described the scale and scope of the implementation of the Fit for the Future programme, noting that it will have implications across all Council services, over a prolonged period.
8. Across this very broad scope, members will need to exercise their oversight functions over two distinct areas:
9. Firstly, members will need to exercise oversight of *the delivery of the programme itself* – considering all of the issues of delivery of benefits, costs, impact on business as usual, staff and residents, risk, control and governance listed above. This will be required during design, implementation and through to the period of transition to business as usual.
10. Secondly, and distinctly, members will need to exercise oversight of *the design of the new Council Operating Model itself* – assessing, challenging and assuring the robustness of the design of new ways of working with respect to the areas of attention of the two committees, before they are implemented.
11. Taken together, this activity is expected to generate a considerable volume of work for the committees both of which already have full agendas. Establishing a sub-committee arrangement therefore has the benefit of increasing the capacity of the committees and providing for focussed and timely review of the complex issues expected to be generated through the programme.
12. While the two main committees have distinct areas of focus as set out above, with respect to the Fit for the Future programme, their considerations are very likely to be interconnected and overlapping. For example, while looking at potential impact on residents and staff, it would make sense to do this while

also considering the arrangements for risk management and appropriate mitigating measures.

13. To avoid duplication and to ensure that all matters are covered in the context of the full-picture, it is proposed that a 'Joint Sub-Committee' is established.

Clarity of roles – Joint Sub-Committee and Cabinet Advisory Group

14. The October Cabinet report agreed to establish a Cabinet Advisory Group (CAG) on the Fit for the Future Programme to support and advise Cabinet and a recommendation was agreed.
15. Ensuring that the roles and responsibilities of the respective bodies involved in member oversight are distinct, understood and transparent from the outset of the programme will be critical to ensuring:
 - That there are clear lines of accountability with the responsibility for scrutinising, challenging and supporting each aspect of the programme understood and adhered to;
 - That reporting is efficient – avoiding the same issues being dealt with in multiple forums;
 - That there is the opportunity space for creative and open engagement with members on policy development and problem solving, separate from formal challenge and scrutiny processes;
 - That conflicts of interest are avoided – in particular that those involved in the development and implementation of policy are not involved in the scrutiny of that policy.
16. While it is likely that there will be cross-over of issues to be considered by the Joint Sub-Committee and the CAG from different perspectives, it will be productive for the lead officers with the chairs and deputy chairs of both groups to liaise on agendas and work programmes to ensure that matters are being considered in the most appropriate forum in a timely manner.

17. The October reports outlined these roles as follows:

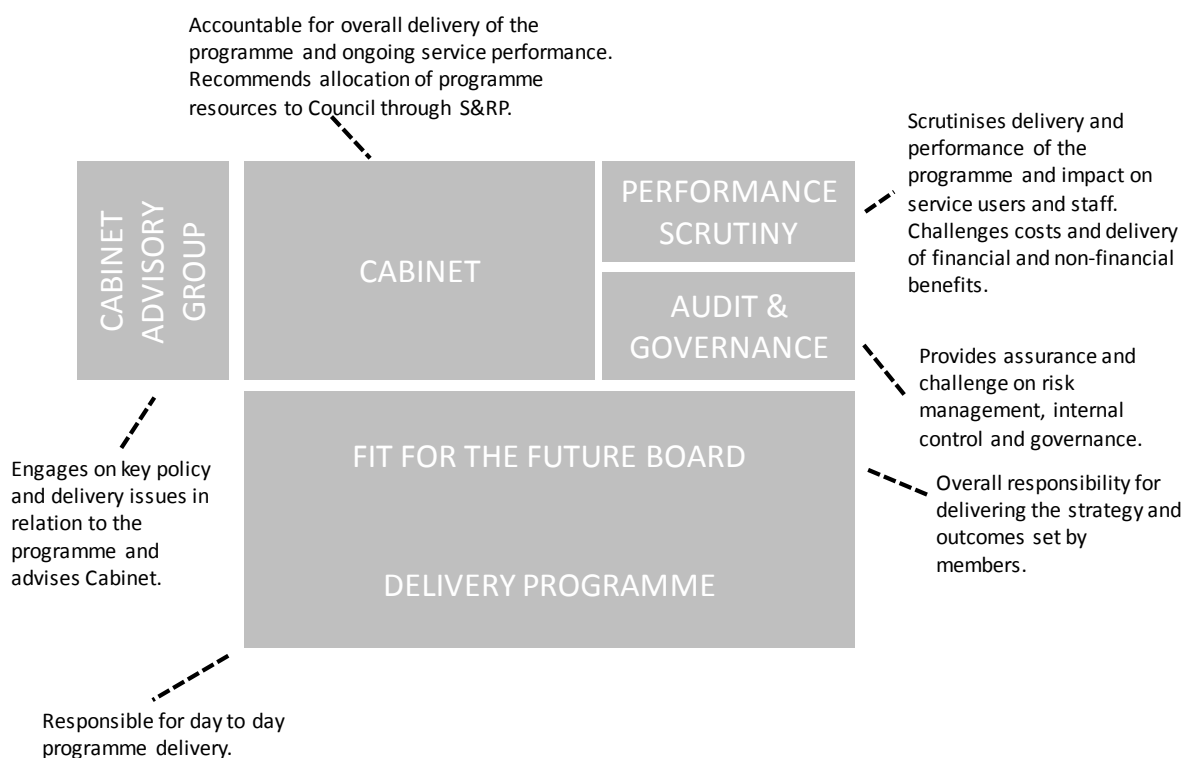


Fig. 1: Member over-sight arrangements and officer-led delivery functions

Establishing the Joint Sub-Committee

18. It is suggested that the Sub-Committee be called the Fit for the Future Joint Sub-Committee.
19. The Sub-Committee will be established by decisions of both the Performance Scrutiny and Audit & Governance committees.
20. Proposed Terms of Reference for the Joint Sub-Committee are set out in Annex 1.

RECOMMENDATION

21. **The Committee is RECOMMENDED to:**
 - a) **Agree to the establishment of a joint Sub-Committee of the Performance Scrutiny and Audit & Governance Committees as set out in paragraphs 18-20.**
 - b) **Agree to the terms of reference set out in Annex 1.**

NICK GRAHAM
Director of Law and Governance

Contact Officer: Robin Rogers, Strategy Manager
November 2018

Annex 1 – Terms of Reference

ANNEX 1

TERMS OF REFERENCE FOR THE JOINT SUB-COMMITTEE FOR THE FIT FOR THE FUTURE PROGRAMME

The Joint Committee will bring to bear the perspectives of their parent committees with regard to the governance and performance of the Fit for the Future Programme in terms of its management and its implementation.

In particular, in terms of *performance* the Sub-Committee will review the:

- Delivery and performance of the programme
- Impact of the programme on outcomes for residents, i.e. Corporate Plan priorities;
- Impact of the programme on service performance;
- Impact of changes on staff;
- Predicted costs and savings as compared to actual costs and realised savings
- Predicted non-financial benefits.

In terms of *governance, accountability and internal control*, the Sub-Committee will consider:

- Risks identified and mitigations proposed and actioned;
- Systems of internal control, to include assurance that a robust framework is in place;
- Governance of the project
- Any ethical governance implications

Frequency of meeting

The Sub-Committee will determine its own meeting cycle. Notwithstanding this, it is anticipated that the Sub-Committee will meet at least quarterly.

Membership and Quorum

The membership will be 8 Councillors to include equal numbers from both main committees. The quorum will be 4 of the Sub-Committee's membership.

NB. Given that the Sub-Committee will be undertaking certain overview and scrutiny functions, no member of the Audit and Governance Committee who may, from time to time, also be a member of the Cabinet will be eligible for membership of the Sub-Committee

Chairman and deputy chairman

The Sub-Committee shall appoint a Chairman and a Deputy Chairman – one of whom will be from the membership of the Audit and Governance Committee and one from the Performance Scrutiny Committee as the Sub-Committee may determine. These roles to rotate at successive meetings where possible.

Procedure Rules

The Sub-Committee will operate in accordance with the Scrutiny Procedure Rules under the Council's Constitution.

Division(s):

AUDIT & GOVERNANCE COMMITTEE – 14 NOVEMBER 2018

PARTNERSHIP ARRANGEMENTS WITH CHERWELL DISTRICT COUNCIL – JOINT COMMITTEES

Report by the Monitoring Officer

Introduction

1. At the Audit & Governance Committee on the 12 September, members asked for further clarity as to the role and purpose of the Joint Committees established by Full Council on the 11 September to facilitate the joint working arrangements with Cherwell District Council (CDC).
2. This report seeks to bring that clarity and to enable the Committee to approve the terms of reference for the Joint Committees.

Background

3. Cabinet agreed to develop joint working arrangements with CDC on the 4 June 2018 and the first stage of that was the appointment of a Joint Chief Executive and an instruction to enter into a s113 Agreement.
4. The s113 Agreement is essentially a facility whereby members of staff of the separate authorities are loaned to each other and although there are consultation obligations with staff whose role might involve them working in a joint team or 'shared service', their employment does not change in law. They would still remain employed by their original authority sharing their time reasonably and fairly between the two authorities.
5. The s113 Agreement establishes the framework within which the partnership operates and included the establishment of a Partnership Working Group (PWG) which, in summary, will consider proposals for joint working and recommend to the Cabinets of each respective authority the approval of shared services with a shared management.
6. As an example, both authorities have a Legal Services function and the PWG might consider the benefits of having one shared Legal Services between both authorities. (This would be receipt of a detailed business case to include matters such as: costs split, staffing, risks, budgets, conflicts etc). The Director of that service would likely be a shared post and, over time, a Shared Senior Management Team for both Councils might evolve.
7. Initially there will be separate senior management teams for each authority. Subject to the approach that PWG wish to take, it is likely that senior managers appointed to a shared service will sit on both management teams, and possibly

over time move to Shared Senior Management Team responsible for both Councils.

8. It is not intended that the decision via the PWG and Joint Committees should fetter the decision-making requirements and processes of the respective Councils.

Role of Joint Committees

9. The Joint Committees established by Full Council have two specific roles. The first is to take decisions on the staffing matters as they arise – both the appointment of officers and any appeals that arise from their employment; the second is to take decisions on the shared services established by the respective Cabinets.

'Joint Personnel Committee'

10. It is intended that the 'Joint Personnel Committee' is comprised of 10 Members (5 from each authority) with a quorum of 6 (3 from each authority).

Staffing function

11. The Joint Committee would be the interviewing panel for and approve the appointment of senior officers (i.e., Chief Officers, specifically those reporting to the Chief Executive, working in a shared service which has been approved). The appointment of other staff in that shared service would fall to the Chief Executive or Directors in the respective employing authorities to appoint under their delegated powers, again as is the case now.
12. In addition to senior staff appointments, its function would also to be approve dismissals that might arise from redundancy and have an overview of terms and condition, policies and restructuring proposals relating to shared services.

Executive function

13. In addition to these functions, it is proposed that the Joint Committee play an important role in the implementation and outworking of the shared services that are created. This is considered a more efficient forum to undertake that function rather than having to report separately to each respective Cabinet. As such, it is proposed that executive powers are delegated to this Committee. This will enable it, for example, to exercise Cabinet's power to approve a restructuring, to consider any contractual and procurement issues etc. (It is therefore a requirement that a Cabinet member from each authority is a member of this Committee.)
14. As Statutory Officers have special protections in law, it is also proposed that this Committee is able to exercise the normal executive powers in terms of addressing or investigating performance issues relating to such a statutory officer (e.g., s151 officer, Monitoring Officer etc) and providing the report to Full Council in the event of a proposal to remove them from their post.

15. Given this range of functions, Members might consider the title of the Committee should be changed to the '**Joint Shared Service and Personnel Committee**'.

Appeals Committee

16. It is suggested that this Committee is comprised of 3 Members from each authority (total of 6) with a quorum of 4.

17. Under the Council's policies staff can raise an appeal – whether a grievance, or an appeal against selection for redundancy or an appeal against any disciplinary sanction – with their Director and thereafter to Members.

18. Under the joint working arrangements, it is not proposed that these existing arrangements would change except in the case of 'shared senior managers'. Such senior managers appointed, or potentially displaced or otherwise aggrieved, by a decision of the 'Joint Personnel Committee' will have a right to appeal to this Appeal Committee. Over time, it may be that the generality of staff who carry out their role within a Shared Service ought to be able to utilise this procedure, but for the time being they would use their existing procedures.

Legal and Financial Implications

19. There are no financial implications in the confirmation of these terms of reference. The proposed terms of reference are consistent with legislation and the s113 Agreement.

RECOMMENDATIONS

20. The Committee is RECOMMENDED to:

- a) Agree that the proposed Joint Personnel Committee be named 'The Joint Shared Services and Personnel Committee';**
- b) Approve the proposed terms of reference for the Joint Shared Services and Personnel Committee (as in Annex 1); and**
- c) Approve the proposed terms of reference for the Joint Appeals Committee (as In Annex 1).**

Nick Graham
Chief Legal Officer and Monitoring Officer
Contact: 01865 323910

Contact officer: Glenn Watson, Principal Governance Officer, 07776 997946.

Annex 1

JOINT SHARED SERVICES AND PERSONNEL COMMITTEE

CHERWELL DISTRICT COUNCIL and OXFORDSHIRE COUNTY COUNCIL

Under Local Government Act 1972 s.101 (5) two or more local authorities may appoint a joint committee to discharge any of their functions that are not reserved for the sole decision of a single authority in legislation. The Joint Committee can authorise an officer employed by either authority to act on its behalf. Whilst it is envisaged that the majority of daily business and processes such as recruitment, personnel and appeals will be carried out under each employing authority's decision-making processes, there are a few functions which are best delivered through joint arrangements.

Area: the Joint Committee shall exercise its authority for the areas comprising of Cherwell District Council and Oxfordshire County Council.

Membership: the Committee shall be comprised of 10 Councillors, 5 from Cherwell District Council and 5 from Oxfordshire County Council with 5 named substitutes from each authority. All Councillors including substitutes will receive appropriate training before they can participate as a Committee member.

Quorum: will be 3 Members from each authority (i.e. a total of 6).

Chairman: the Chairman and Vice Chairman will be elected by the committee and will be representative of each authority.

Decision making: decision will be by a majority of Members of the committee present and voting.

Terms of Reference

- To have responsibility for and to take any decision on staffing matters, (other than those delegated to officers) and any other non-executive decisions function specifically delegated to the committee by the respective councils, for any shared service established for the councils
- To have responsibility for and to take any executive decisions (other than those delegated to officers), specifically delegated to it by the respective Executive arrangements of the councils with regard to any shared service established for the councils
- To ensure that any shared service meets the requirements of the councils in furthering the objectives of their respective corporate plans.
- To take all executive decisions with regard to any established and future shared service to include regular budget and performance data for any shared service.

Shared Management

In the case of shared Chief Officer posts:

- To act as the interviewing panel for the Head of Paid Service (Chief Executive), making recommendations to the councils for formal appointment.
- To act as the interviewing panel and appoint shared chief officers (Officers who report to the Chief Executive) working across the councils (NB. Anyone involved in the decision for a particular post must be present throughout the entire interview process).

Shared Posts

Where a business case has been agreed by the councils and a decision made to share a service between them to:

- Agree posts to be declared 'at risk', and to approve dismissal, including compulsory or voluntary redundancy and the exercise of discretionary awards to any post where costs are shared or are going to be shared. This excludes the dismissal of the Head of Paid Service, the Chief Finance Officer or the Monitoring Officer (if shared) on the grounds of misconduct which must be the subject of a resolution of the relevant full Council following compliance with the procedure set out in the Officer Employment Procedure Rules.

Shared Statutory Officer Discipline

The role and responsibilities of the Joint Personnel Committee with regard to shared Statutory Officer disciplinary action is to:

- Ensure that the Statutory Officer clearly understands the standards of conduct expected of him/her.
- Carry out, or make arrangements for, an investigation when any breach of discipline is alleged.
- Ensure that the Statutory Officer subject to investigation is kept up-to-date with progress.
- Decide, in the most serious cases whether or not to suspend or (where the Statutory Officer has already been suspended by the Head of Paid Service or Monitoring Officer under their delegated powers) to continue the suspension of the Statutory Officer, in accordance with the Statutory Officer disciplinary policy.
- Report to Full Council (of the employing authority) in respect of a recommendation to dismiss, having convened a Panel comprising Independent Persons in accordance with the Officer Employment Procedure Rules.

JOINT APPEALS COMMITTEE

CHERWELL DISTRICT COUNCIL and OXFORDSHIRE COUNTY COUNCIL

Area: The Joint Committee shall exercise its authority for the areas comprising of Cherwell District Council and Oxfordshire County Council.

Membership: The Committee shall be comprised of 6 councillors, 3 from Cherwell District Council and 3 from Oxfordshire County Council with 3 named substitutes from each authority. They may not be members of the Joint Personnel Committee. All councillors including substitutes will receive appropriate training before they can participate as a Committee member.

Quorum: will be 2 Members from each authority (i.e. a total of 4).

Chairman: The Chairman and Vice Chairman will be elected by the Committee and will be representative of each authority.

Decision making: decision will be by a majority of Members of the Committee present and voting.

Terms of Reference

- To hear and determine any appeals, or grievance appeals, made against the Head of Paid Service/Chief Executive by any shared Chief Officer or Deputy Chief Officer either Council.
- To hear and determine any appeals brought by the Chief Executive and (if shared) the Monitoring Officer and section 151 Officer against any disciplinary sanctions imposed short of dismissal.
- To hear and determine any appeals against any disciplinary sanctions imposed on a Chief Officer who is shared between Cherwell District Council and Oxfordshire County Council excluding the statutory officers referred to above.

AUDIT & GOVERNANCE COMMITTEE – 14 November 2018 Quarterly Update: Counter Fraud Strategy and Plan for 2018/19

Report by the Director of Finance

Introduction

1. This report presents a quarterly progress update of the Counter Fraud Strategy and Plan for 2018/19. The plan supports the Council's Anti-Fraud and Corruption Strategy by ensuring that the Council has in place proportionate and effective resources and controls to prevent and detect fraud as well as investigate those matters that do arise.

Counter Fraud Model for Delivery

2. It was reported to the committee in July that following the review of the model of delivery of both the pro-active fraud plan and management of reactive work / investigations that Internal Audit will continue to have the overall responsibility for Counter-Fraud. This will include overseeing the arrangement with Oxford City Council Investigation Team, which has now been verbally agreed to start from 1 October 2018 and is in the process of formal sign off. Under this arrangement Oxford City Investigation Team will become responsible for the management of referrals, triage and maintenance of the fraud log. As part of the handover plan referrals will be overseen jointly for the first 6 months whilst a risk assessment process is agreed and the detail of access to systems and information is worked through. The Investigation Team will provide expertise, training and assistance on fraud matters during the transition, as well as be responsible for the full management of the NFI (National Fraud Initiative) exercise from the initial fair processing notices, uploading of data sets, review of results and system recording.
3. Internal Audit are continuing to develop the approach to fraud risk / development and maintenance of the fraud risk register, as well as the development and delivery of a plan of work of proactive testing and controls review in areas of high fraud risk. There has been a restructure within Internal Audit, from 1 October 2018 both Principal Auditors have been re-designated as Audit Managers. One of them now has management responsibility for the overseeing the counter-fraud activity and will be leading on the development of counter-fraud over the next two years, including improved fraud risk identification, become more mature in our understanding of the value of digital technology in addressing fraud and consider the organisational changes the council are currently going through. Temporary resource is available during this period where we identify opportunities for pro-active fraud work whilst a

sustainable strategy for a future fraud response model is developed which will highlight longer term funding requirements.

Activity Update

4. Appendix 1 sets out the annual Counter Fraud plan for 2018/19 and progress as at the end of October 2018. The focus since the last update to the July committee has been to agree and implement the new model of delivery, working with the Oxford City Investigation Team. Work has commenced reviewing procedures, awareness and fraud referrals routes for Adult Social Care. A workshop has been held to review current Direct Payment Fraud referral cases, this is informing the approach to capturing and dealing with these cases going forward. Procedures are now being updated and training requirements considered. Additional work is also underway to consider other fraud referral routes within adult social care, for example money management, client charging, including deprivation of assets, etc.
5. There are three live investigations being managed by Internal Audit and the Investigation Team. One is in relation to overpayments and is now subject to Police investigation. The Audit Working Group have been briefed on this case and the Director of Children's Services attended the September AWG meeting to discuss further the system / process weaknesses that these cases have highlighted and the action taken to strengthen controls to reduce potential for reoccurrence. Once the police investigation is concluded a full update will be made to the committee. The second case is in respect of a whistleblowing allegation regarding the use of a procurement card by a member of staff, initial investigations have been undertaken and the Investigation Team will now be interviewing the relevant staff, the committee will be updated once the investigation is complete. The third is a case of cash theft and potential false accounting, this has also now been referred to the Police and again a full update will be made upon conclusion.
6. There have been a couple of other whistleblowing referrals which Internal Audit have passed onto Senior Management / HR for investigation. Internal Audit are monitoring the outcome of these investigations.
7. There have been several referrals recently received in relation to potential deprivation of assets cases and cases where service users in receipt of direct payments or money management arrangements may have been subject to financial abuse or where they may have misused their direct payment. Each of these cases are being individually considered and outcomes will be reported back to the AWG and A&G Committee. As mentioned above review of the Direct Payment live cases have been used to review and develop the approach for dealing with these cases going forward

8. A new NFI (National Fraud Initiative) exercise has commenced and data sets have now been uploaded. Matches are expected to be available for further investigation from the Spring 2019.

RECOMMENDATION

9. **The committee is RECOMMENDED to comment and note the progress update regarding Counter Fraud Strategy and Plan for 2018/19.**

LORNA BAXTER
Director of Finance

Background papers: None.

Contact Officer: Sarah Cox 07393 001246

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Division(s):

AUDIT & GOVERNANCE COMMITTEE – 14 NOVEMBER 2018

SENIOR STAFFING ARRANGEMENTS

Report by Director of Law & Governance

Introduction

1. This report seeks Audit & Governance's support for a proposed amendment to the Constitution relating to senior management appointments to ensure that those appointments within Oxfordshire County Council are made efficiently whilst ensuring accountability. This would also avoid confusion that has arisen as to the definition of Chief Officers and Deputy Chief Officers. These terms have a statutory definition that impacts on the appointment process.
2. Currently, the terms of reference of the Remuneration Committee are that it has a role in appointing Directors with no distinction made between 'Strategic Directors' and any other 'Directors'. This report proposes a distribution of responsibility that provides greater clarity. The choice of which posts should be appointed by the Remuneration Committee lies with the County Council itself and is not determined by regulations.
3. This matter is entirely separate from the arrangements being finalised by the Committee for handling any joint management appointments arising from the Oxfordshire-Cherwell Partnership. The scenarios in this report are solely those that the Council is required to have in place for its own appointments outside of that context.

Background

4. Prior to the Senior Management Review in December 2016 the Senior Management Team was made up of Directors. These Directors held both statutory and non-statutory roles and were considered Chief Officers for the purposes of the relevant Regulations.
5. Following the Senior Management Review a new role of 'Strategic Director' was introduced and since that time it has been a little unclear as to whether the Strategic Director is a 'Chief Officer', with regard to regulations, and whether the Directors are 'Deputy Chief Officers'. It is timely for the Council to determine clearly the 'appointor' for such senior officer posts.

Statutory Rules

6. The Local Authorities (Standing Orders) (England) Regulations 2001 say that normally appointments and dismissals and disciplinary are down to the Head of Paid Service. The posts excepted from this and subject to a 'cabinet consultation' procedure (at paragraph 7) are:

- (a) the officer designated as the head of the authority's paid service;
- (b) a statutory chief officer - which under the Local Government and Housing Act

1989 means:

- Director of children's services
- Director of adult social services
- Director of public health
- Section 151 Officer
- Monitoring Officer

- (c) a non-statutory chief officer within the meaning of section 2(7) of the 1989 Act;

- Direct reports of the head of paid service (HOPS)
- A person for whom the HOPS is directly responsible
- A person who as respects all or most of their duties is *required to report directly or is directly accountable to the HOPS*
- A person who as respects all or most of their duties is *required to report directly or is directly accountable to Full Council or a committee or sub-committee*

- (d) a deputy chief officer within the meaning of section 2(8) of the 1989 Act; or

- A person who as respects all or most of their duties is required to report directly or is directly accountable to one of more of the...
 - Statutory chief officers
 - Non-statutory chief officers

7. For the purposes of Oxfordshire County Council posts these are:

- Head of Paid Service
- *Statutory chief officers*
 - Director for Children's Service
 - Director for Adult Services
 - Director of Public Health
 - Director of Finance
 - Monitoring Officer

- *Non- statutory chief officer*
 - Strategic Director of Communities (reports to HOPs)
 - Strategic Director of Resources (ditto)
 - Director of Digital and ICT (ditto)
 - Director of Human Resources (ditto)
 - Assistant Chief Executive (ditto)

- *Deputy Chief Officer*
 - The direct reports of the above (who as respects all or most of their duties is required to report directly or is directly accountable to them; **unless** such posts are clerical or are otherwise support services). Includes...
 - Chief Fire Officer (by virtue of reporting to Strategic Director for Communities)

8. Under the Council's Constitution there is a regulatory process whereby Cabinet members are consulted in relation to both the appointment of Chief Officers and Deputy Chief Officers. This is to identify whether they have any objection or concerns which must be reported back to the Officer or Body that is making the final appointing decision.

The proposal

9. The Annex sets out the proposed relationship between our senior management structure and the statutory definitions of 'Chief Officer' and 'Deputy Chief Officer' as well as the proposed appointing body/person going forward.
10. The proposal is that the Remuneration Committee would be the appointing body for 'Strategic Directors and Statutory Chief Officers only (apart from the Monitoring Officer).
11. For non-statutory chief officers and directors who come under the definition of Deputy Chief Officer, the appointor would be the Head of Paid Service. It still remains that the Cabinet consultation procedure would be utilised as required by regulations for all posts covered by paragraph 6 (a)-(d) above.
12. Under the Council's pay policy statement there is still a requirement that salaries and packages for new posts which attract an annual payment of £100k must be approved by Full Council. That arrangement stems from Government guidance.

Monitoring Officer Powers

13. The Monitoring Officer has delegated powers to make the necessary amendments to the Constitution in order to give effect to the decisions of Council or to ensure legal compliance. All other amendments must be approved by Full

Council. Full Council will need to be assured that the members of Audit & Governance Committee endorse the proposal as set out above.

RECOMMENDATIONS

14. The Committee is RECOMMENDED to

- (a) endorse the proposed changes to appointments in paragraphs 10 and 11;**
- (b) ask Full Council to approve these changes accordingly including the necessary changes to the Pay Policy Statement; and**
- (c) agree that the Monitoring Officer make the necessary textual amendments to the Constitution to give effect to Full Council's decision.**

Nick Graham
Chief Legal Officer and Monitoring Officer
Contact: 01865 323910

Contact officer: Glenn Watson, Principal Governance Officer, 07776 997946.

Annex 1

Senior posts and proposed appointor

The appointor in each case must advise the Proper Officer of the person it is intended to appoint so that he/she can consult Cabinet members for any comment. No appointment can be made until any comments from the Cabinet members have been considered by the appointor.

Post	Regulatory Description	Appointor under Constitution
Head of Paid Service	Head of Paid Service	Full Council
Director for Children's Service	Statutory Chief Officer	Remuneration Committee
Director for Adult Services	Statutory Chief Officer	Remuneration Committee
Director of Public Health	Statutory Chief Officer	Remuneration Committee
Director of Finance	Statutory Chief Officer	Remuneration Committee
Monitoring Officer	Statutory Chief Officer	Full Council
Director for Children's Service	Statutory Chief Officer	Remuneration Committee
Strategic Director of Communities	Non-statutory Chief Officer	Remuneration Committee
Strategic Director of Resources	Non-statutory Chief Officer	Remuneration Committee
Director of Digital and ICT	Non-statutory Chief Officer	Head of Paid Service
Director of Human Resources	Non-statutory Chief Officer	Head of Paid Service
Assistant Chief Executive	Non-statutory Chief Officer	Head of Paid Service
Various posts – i.e. those reporting to the HOPS, Statutory and Non-Statutory Chief Officers	Deputy Chief Officers (includes Chief Fire Officer)	Relevant chief officer e.g. HOPS, Strategic Director or Director

Nick Graham

2 November 2018

Nick Graham

Chief Legal Officer and Monitoring Officer

Contact: 01865 323910

Contact officer: Glenn Watson, Principal Governance Officer, 07776 997946.

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AUDIT and GOVERNANCE COMMITTEE – 14 NOVEMBER 2018

REPORT OF THE AUDIT WORKING GROUP (AWG)

The Audit Working Group met on Wednesday 24 October 2018.

Attendance:

Full Meeting:

Chairman Dr Geoff Jones; Cllr Nick Carter, Cllr Roz Smith; Cllr Deborah McIlveen, Cllr Charles Mathew, Ian Dyson, Assistant Director of Finance; Sarah Cox, Chief Internal Auditor; Tessa Clayton, Audit Manager, Katherine Kitashima, Audit Manager, Georgina Cox, Auditor (minutes)

Part Meeting:

Lorna Baxter, Director of Finance, Nick Graham, Director of Law & Governance, Bev Hindle, Strategic Director, Steve Munn, Director of HR, Paul Lundy, County Health & Safety Manager, Lara Patel, Deputy Director Childrens, Steve Higgott, Project Manager, Steven Jones, Corporate Performance and Risk Manager.

Matters to Report:

There is a vacancy on the Audit Working Group (Cllr Ian Corkin). It was agreed that membership, including named substitutes of the AWG will be confirmed at the November Audit & Governance Committee meeting.

AWG 18.29 Financial Management Review

The group were updated on the results of the self-assessment completed of organisational financial management using the CIPFA Financial Management Toolkit. The group noted the action plans being developed for delivery by both Corporate Leadership Team (CLT) and the Finance Leadership Team (FLT) to strengthen financial management across the organisation. Once agreed the action plan will be circulated to the members of the Audit Working Group. The actions, with responsible officers and timescales will be monitored for implementation via the internal audit action tracking system. The group will continue to receive regular updates from the Director of Finance on delivery of the planned improvements.

AWG 18.30 Annual report of whistleblowing

The group considered the annual report of Whistleblowing received from staff or the public. The group asked whether the issues in relation to education could be shared with Teachers Joint Committee.

AWG 18.31 Health & Safety Audit 2018/19

The report of the audit of Health & Safety was agreed and finalised in October 2018 and had the overall grading of Red, due to weaknesses noted with the governance structure and assurance arrangements for the management of health and safety across the council. Officers attended to update the group on progress with implementation of management actions.

The group considered the full internal audit report. It was noted that a project mandate and plan has now been agreed, with a project team in place to ensure the effective implementation of the action plan. The implementation of the action plan will be monitored by Internal Audit. Officers will attend the February 2019 Audit Working Group to provide a further update.

AWG 18.32 Risk Management update

Ian Dyson, Assistant Director of Finance and Steven Jones, Corporate Performance and Risk Manager, presented an update on risk management. The group noted structural changes with the management of risk reporting moving to Policy, with the overall responsibility for risk assurance to be retained within Finance.

The group acknowledged the ongoing work on the strategic risk register, the implementation of the risk management strategy and policy and with the introduction of the new operating model the opportunity to further improve the embedding of risk management.

The group requested that future updates on risk management will include updates from the Directorates and review of the directorate risk registers. It was agreed at the February 2019 AWG the Communities Risk Register will be reviewed.

AWG 18.33 Implementation of the new Children's IT System

The group received a presentation on the new Children's IT system which is due to go live in March 2019 and replaces Frameworki. The group noted the significant work underway particularly in respect of data migration, mapping and development of key processes and plans for testing and end user training. An Internal Audit of the implementation programme is now commencing, following on from an earlier audit undertaken at the end of 2017/18.

Date of next meeting Wednesday 5 December 2018, 2pm

RECOMMENDATION

The Committee is RECOMMENDED to note the report.

Lorna Baxter
Chief Finance Officer

Contact: Officer: Sarah Cox, Chief Internal Auditor
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AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME – 2019

9 January 2019

Governance of the Housing and Growth Deal (Lorna Baxter)
Internal Audit Plan – Progress Report (Sarah Cox)
Ernst & Young - Audit Plan (Paul King)
Treasury Management Strategy Statement and Annual Investment Strategy for 2019/20 (Tim Chapple)
Constitution Review (Glenn Watson)
Local Code of Corporate Governance (Glenn Watson)

6 March 2019

Ernst & Young – 2018/19 Audit Plan (Paul King)
Scale of Election Fees and Expenditure (Glenn Watson)
Counter-fraud Update (Sarah Cox)
Progress update on Annual Governance Statement Actions (Glenn Watson)
Audit Committee Annual Report to Council 2018 (Sarah Cox)
Information Governance (Nick Graham)

8 May 2019

Annual Governance Statement (Glenn Watson)
Annual Report of the Chief Internal Auditor 2018/19 (Sarah Cox)
Internal Audit Strategy & Annual Plan 2019/20 (Sarah Cox)
Audit Committee Annual Report to Council 2018 (Sarah Cox)
Annual Scrutiny Report (Katie Read)
Ernst & Young - Progress Report (Paul King)
OFRS Statement of Assurance 2018-19 (Paul Bremble)
Draft narrative statement and Accounting Policies for inclusion in the Statement of Accounts (Hannah Doney)

17 July 2019

Statement of Accounts 2018/19 (Lorna Baxter)
Ernst & Young – Final Accounts Audit (Paul King)
Treasury Management Outturn 2018/19 (Tim Chapple)
Internal Audit Charter (Sarah Cox)
Counter-fraud Plan 2019/20 (Sarah Cox)

11 September 2019

Local Government Ombudsman's Review of Oxfordshire Co Co (Nick Graham)
Internal Audit Plan – Progress Report (Sarah Cox)
Surveillance Commissioner's Inspection and Regulation of Investigatory Powers Act (Richard Webb)
Monitoring Officer Annual Report (Nick Graham)
Ernst & Young – 2018/19 Annual Audit Letter (Paul King)

13 November 2019

Ernst & Young (Paul King)
Treasury Management Mid Term Review (Tim Chapple)
Counter-fraud Update (Sarah Cox)
Review of effectiveness of internal audit (Glenn Watson)

Standing Items:

- Audit Working Group reports (Sarah Cox)
- Audit & Governance Committee Work Programme – update/review (Committee Officer/Chairman/relevant officers)
- Fit For the Future update (Lorna Baxter)