

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 13 March 2024 commencing at 1.00 pm and finishing at 4.30 pm

Present:

Voting Members: Councillor Roz Smith – in the Chair
Councillor Brad Baines (Deputy Chair)
Councillor Ted Fenton
Councillor Jenny Hannaby
Councillor Nick Leverton
Councillor Ian Middleton
Councillor Glynis Phillips
Councillor Richard Webber

By Invitation: Dr Geoff Jones

Officers:

Whole of meeting Lorna Baxter (Executive Director Resources & Section 151 Officer), Anita Bradley (Director of Law and Governance and Monitoring Officer), Sarah Cox (Chief Internal Auditor), Simon Harper (Head of Governance), Paul Grant (Head of Legal), Shilpa Manek (Senior Democratic Services Officer) and Mohamed Cassimjee (Democratic Services Officer)

Part of meeting Adrian Balmer (Ernst and Young), Tim Chapple (Treasury Manager), Richard Quayle (Chief Accountant), Declan Brolly (Counter Fraud Team Manager), Chloe Taylor (Head of Economy), Louise Tustian (Head of Insight and Corporate Programmes), Nigel Tipple (LEP Chief Executive) and Stephen Chandler (Executive Director, People and Transformation)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting.

13/24 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies for absence were received from Councillor Yvonne Constance and Councillor Nigel Champken-Woods was substituting.

14/24 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE

(Agenda No. 2)

There were no declarations of Interest received.

15/24 MINUTES

(Agenda No. 3)

The minutes of 13 March 2024 were approved by the Committee as an accurate record.

All actions had been completed or were in the process of being completed.

Further clarity of paragraph 8/24 was requested in response to CIPFA (The Chartered Institute of Public Finance & Accountancy) social standards formulation. The Committee were informed that the policy team had been mandated to draft a policy on social values, as it meant different things to different people.

16/24 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

There were no petitions or requests of public address received.

17/24 TREASURY MANAGEMENT Q3 PERFORMANCE REPORT 2023/24

(Agenda No. 7)

Tim Chapple, Treasury Manager, presented the report and the following was indicated:

- The performance for the three quarters of the year to December 2023 was measured against the budget agreed by the Council in February 2023.
- As of 31 December 2023, Council's outstanding debt totalled £284m and the average rate of interest paid on long-term debt during the year was 4.41%.
- No new external borrowing was arranged during the three quarters of the year, whilst £8m of maturing Public Works Loan Board (PWLB) and £5m of LOBO loans were repaid.
- On the investment side, the average cash balance was £496.422 million with an in-house return of 3.93%, which resulted in a higher-than-expected return of £14.686m.
- On external funds the position has been maintained.
- The return for the nine months was £3.035m, bringing total investment income of £10.05m, giving a net over achievement of £6.916m.
- As of 31 December 2023, the Council's investment portfolio totalled £532.604 million.
- The pooled funds totalled £96.889m and returns exceed expectations.

In response to the Committee Members the following was indicated:

- We couldn't choose to repay the LOBO loans unless the lender exercised the option to increase the interest rate.

- The repayment would be from the cash balances and not external funding.
- At present there were £35million pounds worth of LOBO loans with varying option dates which could be easily absorbed. Maturity dates ranged from 2025-2065.
- The reason that there were two investments with the same start date and counterparty, was because they had different maturity dates.
- Investments with Councils would be repaid even if S114 notices were issued. In terms of the Local Government Act of 2003, in a new authority replaces an all one debts of the old authority are absorbed into a new one.
- Forecast interest rates to start dropping from August 2024 to 3% by June 2026.

The Chair welcomed the positive financial figures presented and the results achieved.

Resolved to:

- Note the Council's Treasury Management activity at the end of the third of 2023/2024 quarter.**

18/24 COUNTER FRAUD UPDATE

(Agenda No. 5)

Sarah Cox, Chief Internal Auditor, presented the report and the following was indicated:

- The team was occupied with a number of sensitive investigations.
- An investigation carried out in 2021, where a supplier overcharged the Council had been successful for the Council.
- While the company had gone into liquidation the Council received an award of £65,000. Although the claim was higher than £100,000 pounds, this was an interim payment. In another case the business school manager had accepted to make repayment.
- Following each investigation, controls are reviewed, and any weaknesses addressed to prevent and minimise future reoccurrence.
- The case of the hacking of the supplier database case highlighted the inherent risks in this area. Fortunately, the controls ensured that the payment was not released, and further controls have been implemented to help prevent against future cases. Control reports being issued were not part of the audit follow up process, which was used to report to the Committee, but going through systems update. This would also include the Fraud update which would assist the Committee.
- The new Economic Crime and Transparency Bill would cover local authorities and large organisations and would for the first time hold them liable for the failure to prevent fraud. As we learnt more about this Bill, further updates would be brought back to the Audit & Governance Committee.
- This required that the fraud risk assessment to be in line with best practices.

Action: Once the Fraud Risk Assessment had been updated, add to a future AWG Agenda.

In response to Council Members the following was indicated:

- Guidance had been provided in terms of applicable good procedures, and the Council had good internal controls such as the anti-corruption, zero tolerance and conflict of interests' policy. It provided the organisation with the opportunity to ensure all the systems were in place to prevent falling foul of the law.
- The fraud risk register was being reviewed. An assessment had also been done on the Economic Bill and thus far no red flags had been identified.
- The Proactive procurement review was being undertaken.
- Working with Standard Trading Officers was ongoing on investigations.
- When a case went for prosecution, it needed to pass public interest and the evidential test and, in this case of Blue Badge violation, it had passed the test. When it went to the magistrate's court it would be brought to the attention of the Committee.
- The team from the Council accompanied the parking officers to monitor Blue Badge in complaints areas, without any significant cost.

Resolved:

That the Audit and Governance Committee Noted the summary of activity against the Counter Fraud Plan for 2023/24.

19/24 AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT TO COUNCIL
(Agenda No. 6)

Sarah Cox, Chief Internal Auditor, presented the report and the following was indicated:

- The report was still at draft stage, but it is important to bring it to the Audit and Governance Committee for approval.

The Chair indicated that it was a broad report and gave a flavour of the work done by the Audit Working Group and the Audit and Governance Committee.

Resolved: that the Audit and Governance Committee reviewed the draft report and agreed to present the report to the Council by the Chair of the Audit & Governance Committee.

20/24 RISK MANAGEMENT UPDATE
(Agenda No. 8)

Louise Tustian, Head of Insight and Corporate Programmes, Stephen Chandler Executive Director, People and Transformation and Lorna Baxter Executive Director of Resources presented the report, and the following was indicated:

- That the team had been going through the necessary training and responsibilities both inhouse and with the councillors.

In response to Members, the following was indicated:

- Referred to page 45 of the report, which provided the Strategic Risk Register overview, this showed the strategic risks and attention was drawn to SR-08 which was the policy and budget risk, for February 2024.
- It was pointed out that the scoring had changed from a previous residual score of 20 to a current residual score of 12.
- On SEND (Special Educational Needs and Disability), the council needed to address concerns raised and at present it could not be said if a point had been reached yet, to show improvements and the DFE was still to determine the progress that has been made.
- The council had made progress, but it was important that it would be validated externally before the risk indicators were changed.
- Regarding the Oxford Core Schemes, there was a positive engagement with the public to explain how the basket of measures had come together to reduce the negative impact on the environment and improve the flow of traffic. There was currently no mechanism to assess the Oxford Core Schemes.
- On point 0.3 (HIF1&HIF2), risks were reduced because of the agreement with Homes of England on a 3 monthly basis on what could be spent.
- Once the planning enquiry was completed in this regard the council would have more clarity.

The Chair agreed that the issue of risk as it related to resilience in the face of Climate Change was an important consideration.

I was agreed that any questions that required comprehensive feedback could be sent to the relevant presenters before the meeting.

Action: To provide a background to the Committee as to the way the risks are managed.

Resolved: That the Committee noted the Risk Management update.

21/24 LEP TRANSITION

(Agenda No. 9)

Lorna Baxter, Executive Director of Resources, Nigel Tipple, CEO Local Enterprise Partnership, Chloe Taylor, Head of Economy, Anita Bradley, Director Law and Governance and Paul Grant, Head of Legal and Deputy Monitoring Officer, presented the report to the Committee.

The following was indicated:

- OxLEP was established in 2011 as a partnership with local authorities, businesses and the education sector. It was part of a linked Council function to look at economic development.
- In 2015 it was incorporated as a not-for-profit company limited by guarantee and the County Council acted as its accountable body in terms of the funding received and how the funds are spent.
- The County Council was always represented on the board in terms of funding oversight.

- In August 2023, government confirmed that from April 2024, the government's sponsorship and funding of LEP's would cease and the functions namely: business representation, strategic economic planning and delivery of government programmes, would be exercised by upper tier local authorities.
- Given the decision to devolve the LEP responsibilities, before the end of March 2024, a revised governance framework was needed that ensured that the County Council, as the accountable body retained ultimate control.
- To ensure orderly transfer of functions a three-phase approach would be used.
- The government had confirmed in December 2023, that they would provide up to £240,000 per local authority area in 2024/25.
- The relationship with the County Council had been exceptional and had also resulted in advancing investment in infrastructure development and borrowing being serviced by business rates.
- The LEP's activities included providing business support through the Growth Hub, providing skills development through work experience and apprenticeship, as well as business development and promoting foreign direct investment and strategic economic planning.
- In facilitating the transition of functions to the County Council a resolution had been passed to change the membership of the company, and the member controlling interest would pass to the County Council on the 1 April 2024.

In response to Members, the following was indicated:

- The transfer of the functions to the Council OxLEP was by law, and since it was a company limited by guarantee rather than by shareholder, the issue was the oversight role that this Committee and the Council would need to play.
- The transfer was treated as an executive function, which was outside the remit of the powers of Council as the decision had been made by Central Government to transfer the functions and the Council must act accordingly.
- The Audit and Governance Committee, had oversight of the governance of the organisation, while Cabinet would have a decision-making function in relation to OxLEP.
- In terms of governance, the County Council would need an appropriate shareholder arrangement as it currently does not have any companies, to ensure accountability.
- The role of members included a mechanism to communicate the member's views to the entity.
- The exact nature of the transfer would differ between local authorities. The proposal was that the County Council controlling interest was created within the existing company structure and for the County to become the sole member of OxLEP Ltd. The company member function would be exercised by Cabinet during the implementation phase.
- A commitment had already been made as part of the development process, to commence a consultation process around reviewing existing documents over the first six months of the transition.
- In terms of the transition the decision was for the board of directors to resign their membership, and on the 1 April for the County Council to become the member corporately, which allowed the County Council to have full control of the activity of the company and the functions.

- The directors remained non-executive directors, as long as the member was satisfied. A business plan and budget would be submitted to Cabinet for approval. A two-year budget had already been agreed.
- The County Council would take over the executive function through the Cabinet.
- Any changes to the constitution would come to the Committee for approval by the full Council as its main governance document and any review of OxLEP would have to form part of changes to the constitution.

Resolved: That the Committee

- Noted the government announcement on the transfer of Local Enterprise Partnership core functions.**
- Noted the approach to LEP transition and proposed change to OxLEP Ltd governance.**
- Noted that there will be further work on the government arrangements during the implementation phase and an update will be brought to committee in approximately six months time.**

22/24 ACCOUNTING POLICIES-STATEMENT OF ACCOUNTS

(Agenda No. 10)

Richard Quayle, Chief Accountant and Lorna Baxter Executive Director of Resources presented the report, and the following was indicated:

- Draft accounts for 2023/24 should be published by end of May 2024 to allow for public consultation.
- It was envisaged that the Statement of Accounts would be signed by the end of June.
- Considering previous years, the County Council was getting closer to the deadline.
- The impact of the 2022/23 accounts not being signed off created challenges to meet the deadline.
- There were no public objections to the accounts which was a positive sign.
- With the audit of 2022/23 not completed, it was not possible to know if there were any audit issues in the 2023/24 account.
- Auditors to clear accounts up to 2022/23 by 30 September 2024.
- Due to the auditors not doing any work on the financial statements for 2022/23 the County Council will receive a "Disclaimed Opinion".
- It could take two years before the County Council would receive a clean opinion due to the audit delays.
- The fee to be chargeable for work done would be determined by the Public Sector Appointments body.
- The present situation created difficulty for the Section 151 Officer in carrying out the required tasks.

The Chair emphasised that the backlog experienced by local councils all over the country was extraordinary.

In response to Members, the following was indicated:

- The accounts for 2023/24 would be audited between July and November 2024.
- In 2021 issues were raised regarding valuation, which meant the risk profile had increased. The risk would not be decreased because no further audit work had been done. The issue was raised with auditors that that the risks level mentioned were no fault of the County Council.
- The delays could impact on credit rating especially if capital needs were to be raised.
- The assumption going forward was that the auditors would look to the 30 September to make an opinion without looking at the 2022/2023 accounts.
- The wording of the actual disclaimer was unclear at this stage.
- A survey was being conducted with other local authorities to determine if the audit firms were being consistent with their approach.
- Public Service Appointments had no power to sanction audit firms for non-delivery.

The Chair raised the concern that in the case of local authorities facing financial difficulties they had no assurance due to the delays.

Resolved: that the Committee

- Endorsed the proposed timetable to produce the draft Statement of Accounts for 2023/24.**
- Noted the consultation for back stop arrangements for the Statement of Accounts for 2022/23.**
- Ratified the accounting policies as approved by the Executive Director of Resources and Section 151 Officer and included an annex to this report.**

23/24 ELECTION FEES AND CHARGES

(Agenda No. 11)

Anita Bradley, Director of Law and Governance and Monitoring Officer and Simon Harper, Head of Governance presented the report, and the following was indicated:

- The Returning Officer, Martin Reeves, was responsible for the conduct of the County Council elections and by-elections.
- The purpose of the scale of expenses was to set out the amounts that could be charged for organising and running council and by- elections. This meant that these were amounts that the City and District Councils would claim back from the County Council.
- The report set out the fees, should there be an election or by-elections in Oxfordshire.
- Election offices and the staff were employed by the Returning Officer and not by the County Council.
- The other Councils within Oxfordshire used the Oxfordshire County Council framework of fees that were set and agreed upon, to set their fees across the County.
- Elections were coming up May 2024 and 2025.

- Department for Levelling Up, Housing and Communities (DLUHC), had proposed pay bands for elections staff in the future. The pay also considered the Oxford Living wage and paying at a sufficient level to attract the appropriate staff.

In response to members of the Council the following was indicated:

- The pay bands had been agreed at a formal level.
- Schools could not be removed from the list for election purposes as the County had a legal right, but it was normally used as a last resort. When schools were used, every effort was made to ensure the school continued to function.
- Significant efforts were made to find alternative sites.
- The District Councils were responsible for finding appropriate venues for elections.

Resolved: that the Committee

Noted the Scale of Election Expenses for the financial year 2024/25, as shown in the Annex to the report, for the election of County Councillors and any other poll associated with the County Council during the year.

24/24 DELIVERING THE FUTURE TOGETHER - GOVERNANCE ARRANGEMENTS

(Agenda No. 12)

Stephen Chandler, Executive Director People and Transformation presented the report to the Committee, and the following was highlighted:

- In 2021, the County Council launched its internal programme for change- Delivering the Future Together (DTFT), this was to help the organisation be the best it could for its people and to manage organisational change.
- The Governance Programme Boards indicated key transformation activities such as agile and accommodation, the People and Culture Strategy and the Special Educational Needs and Disabilities (SEND) Improvement Plan.
- With respect to Portfolio Boards, reference was made to the County Council becoming the employer of Choice (where the People's Strategy would reside) a place shaper of choice and partner of choice (where the SEND Strategy resided).
- Oversight of the Programme Boards and Delivery Boards was with the Senior Leadership Team which reported to Cabinet.
- The relevant Cabinet Member would be responsible to the leader of the Council and through the various Scrutiny Committees.
- The purpose of the report was for the Committee to comment on the governance structure.

Members of the Audit and Governance Committee indicated:

- Consultations In response were regularly held with the Unions, and staff had been engaged on the process of change.

- Major change needed to happen in way that is anticipated and results in a positive experience for Oxford residents and overall efficiency and savings.
- It was important to have a structure to ensure anticipated outcomes were achieved.
- Work was being carried out with technological enhancements through AI and Copilot which would assist to automate many of the envisaged activities.
- Any improvements would require the support of the Committee.
- Projects such as the SEND Improvement Board, would show improvement in the next 18 months and working within a 3-year timeframe.
- In terms of the Culture Strategy that was approved by Cabinet high-level time frames had been created for expected changes.
- The details around delayering had now been worked through, and a figure had already been identified and the consultation process would follow.
- Delivering the future together encompassed all the changes the organisation was undertaking.
- The work that had been done with staff were around supervision appraisals and absence management.
- The Oxford Central Accommodation Strategy is part of the organisation's move to working in a modern building with advanced technology.

Action: The Chair referred to the consultation process and the involvement of the public to be revolutionary and emphasised that such a process be monitored and reported on.

Resolved: That the Audit and Governance Committee Noted the developments in the Delivering the Future Together programme and the governance for transformation activity.

25/24 REVISED WHISTLEBLOWING POLICY

(Agenda No. 13)

Anita Bradley, Director of Law and Governance and Monitoring Officer, Simon Harper, Head of Governance and Paul Grant, Head of Legal presented the report, and the following was indicated:

- The existing Whistleblowing Policy was presented to the Audit and Governance Committee in November 2021 and there was a need to undertake an extensive review of the policy.
- The process of review had resulted in consultations both internally as well with the recognised Union.
- An important factor was to ensure that the policy was user-friendly and to understand the processes.
- The new policy provided greater clarity around the six categories set out in the Employment Rights Act 1996.
- The new policy had been drafted to keep complaints within the legal definition of a whistleblowing incident.
- This would ensure that complaints that did not fit the legal definition and follow another council policy, that the monitoring officer was kept informed of the progress and the complainant updated.

- References to the previous legal test of good faith was removed to allow for a broader scope in terms of concerns and allegations being made.
- The County Council encouraged the culture of Whistleblowing by creating a conducive environment for people to come forward.

The Chair indicated that Council Members, agency, and temporary workers as well, could use the policy. The new policy also addressed the concerns that the Committee had expressed.

Members of the Committee raised the following points:

- All complaints were examined closely to ensure they are properly assessed.
- The category miscarriage of Justice was from the legislation and related to the cases of malicious prosecution especially in companies and organisations.
- The training would be extended to schools as well to make them familiar with the policy and have a policy that mirrored the policy of the Council.
- In addition to the term “Employee” the word “Complainant” would also be added, which provided the option of using either term in an event of a complaint.

It was resolved that with the understanding to change the form to include the word “Complainant” and the Audit and Governance Committee

- Approved the revised Whistleblowing Policy at Annex 1 to this report and provide any comments to the Director of Law & Governance and Monitoring Officer.**
- Recommended to Council that the Terms of Reference of the Audit and Governance Committee be amended to include “To monitor whistleblowing arrangements and to approve the Whistleblowing Policy.**

26/24 REVIEW OF MEMBER CODE OF CONDUCT ARRANGEMENTS

(Agenda No. 14)

Anita Bradley, Director of Law and Governance and Monitoring Officer, presented the report to the Committee. The following points were made:

- A detailed review had been undertaken of the “Arrangements” that were created in terms of the Localism Act 2011 and which sets out how a complaint in relation to allegations of breaches of the code of conduct were managed.
- Key changes made to the revised “Arrangements” included identifying the relevant parts of the Members Code of Conduct, changes to the time frames which provide the Monitoring Officer 30 working days to complete the assessment and 30 working days to complete the preparation.
- A more detailed Members’ Hearing Panel replaced the Members’ Advisory Panel. The Panel would also take decisions as to whether there was a breach of the code and to impose sanctions if applicable.

In response to Members, the following was indicated:

- Complaints that were made were assessed against the set criteria.
- The code of conduct provided a high threshold to be observed.
- If the complainant was not satisfied, the matter could be referred to the Ombudsman.
- Electronic e-mail copies of complaints were acceptable.

Resolved: That the Committee

- Approved the revised Arrangements for Dealing with Complaints Against Members and to comment upon them.**
- Recommended to Full Council that the revised Arrangements for dealing with Complaints Against Members together with annexes 1 to 5 were approved and adopted by the Council.**

27/24 OXFORDSHIRE CODE OF CORPORATE GOVERNANCE

(Agenda No. 15)

Anita Bradley, Director of Law and Governance and Monitoring Officer, presented the report, and the following was indicated:

- The Council's Code of Corporate Governance (the Code) was based on the seven core principles in the 2016 CIPFA & SOLACE: "Delivering Good Governance in Local Government: Framework 2016 Edition.
- The Code showed how Oxfordshire County Council complied with the principles of good governance.

Resolved: That the Committee Approved the Oxfordshire Code of Corporate Governance.

28/24 ERNST AND YOUNG UPDATE

(Agenda No. 16)

Adrian Bulmer, Ernst and Young presented the report, and the following was indicated:

- There were two reports being presented to the Committee, the 2021/2022 Auditors Annual Report and the Auditors Annual Report for Year Ending 31 March 2021
- The 2021/22 Accounts had been signed recently.
- Observations made were that the reports were positive and have no findings.
- In terms of arrangements in place to secure economy, efficiency, and effectiveness in its use of resources; and this was found to be positive.

In response to Members comments, the following was indicated:

- The Auditors were awaiting guidance for the year 2021/22 to issue the certificates.

- Journals were not recognised and this had been raised by external auditors, should they be signed off. This was regarded as low risk.
- For the Audit 2022/23, the backstop date is 30 September 2024 and discussions were taking place with central government to get the audit process back on track.
- The Council had followed the PSAA route for the next 5 years rather than the open market in terms of auditing.
- The audit year would close on the backstop date, and this would prevent delayed audits as was the case in the last few years.

Resolved: that the Committee Noted the two reports and the update.

29/24 MEMBER CODE OF CONDUCT REPORT

(Agenda No. 17)

Anita Bradley, Director Law and Governance & Monitoring Officer presented the report, and the following was indicated:

- The Members' Advisory Panel convened a Panel to consider allegations against the subject Councillor.
- The current "Arrangements" was that the Panel was to advise the Monitoring Officer if the Code has been breached, as the final decision was with the Monitoring Officer.
- The Monitoring Officer's decision was a single breach of the Code of Conduct at the lowest scale of seriousness with the sanction imposed of training.

In response to Member comments, the following was indicated:

- Throughout the process the subject councillor was regretful and understood that outside perceptions could differ from the subject councillor's view.

Resolved: That the Committee noted the decision of the Monitoring Officer regarding a Members' Code of Conduct complaint concerning the subject councillor.

30/24 WORK PROGRAMME

(Agenda No. 18)

The Committee discussed the items on the work programme.

The items for May 2024 were identified as:

- Chief Internal Auditor's Annual Report (Sarah Cox)
- Internal Audit Strategy 2024/25 (Sarah Cox)
- Risk Management Update (Louise Tustian)
- Ernst & Young update (Maria Grindley/Adrian Balmer)

The items for July were identified as:

- 17 July 2024 Annual Governance Statement 2023/2024

Discussions were held confirming if the Health and Safety Report could be moved to May and to report back.

Resolved: That the Committee noted and commented on the work programme.

..... in the Chair

Date of signing