



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

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

Wednesday, 19 November 2014 at 1.00 pm in Meeting Rooms 1 & 2

County Hall, Oxford, OX1 1ND

Peter G. Clark.

Peter G. Clark
County Solicitor

November 2014

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Membership

Chairman – Councillor David Wilmshurst
Deputy Chairman - Councillor Sandy Lovatt

Councillors

Jamila Azad
David Bartholomew
Tim Hallchurch MBE

Jenny Hannaby
Nick Hards
Simon Hoare

Roz Smith

Co-optee

Dr Geoff Jones

Notes:

- ***Date of next meeting: 14 January 2015***

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 (01865) 815270 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 meeting held on 17 September 2014 (**AG3**) and to receive information arising from them.

4. Petitions and Public Address

5. Governance and Constitution Review (Pages 13 - 40)

1:10

Report by the County Solicitor and Monitoring Officer (**AG5**).

In April 2013, the Council adopted new governance arrangements which came into effect following the May 2013 elections. The Council asked its Monitoring Officer to review the effectiveness of these decision-making arrangements a year after their coming into operation, along with the underlying Constitution. His recommendations will be considered by Full Council on 9 December.

This report highlights the emerging issues. The Committee previously gave attention to this matter in September 2014 but wished to have a more full discussion at this meeting.

Audit & Governance Committee is asked to comment on the review and to RECOMMENDED Cabinet to consider and endorse the direction of travel of the review.

6. Corporate Governance Leads - Presentations to Audit & Governance

1:50

There are eleven 'Corporate Leads' that provide assurance on an issue for governance purposes. The Audit & Governance Committee has asked to be given presentations from each Corporate Lead during the year so that they can better understand each area, particularly focusing on the assurance process:

- How Corporate Leads assure themselves (and then directors) that things are well within their areas; and
- How Leads decide that issues need to be mentioned for 'Action'; and

- How leads ensure that their area complies with regulations and the law.

Lorna Baxter, Chief Finance Officer will give a presentation on Financial Management and Bethan Morgan, County Emergency Planning Officer will give a presentation on Business Continuity.

7. Treasury Management Mid Term Review 2014/15 (Pages 41 - 54)

2:15

Report by Lorna Baxter, Chief Finance Officer (**AG7**).

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 note the report, and to RECOMMEND Cabinet to note the Council's Mid-Term Treasury Management Review 2014/15.

8. Ernst & Young - Annual Audit Letter (Pages 55 - 64)

2:35

Annual Audit Letter for 2014/15 Audit (**AG8**).

A representative of the Audit Commission will present the Letter.

The Committee is RECOMMENDED to consider and receive the Letter.

9. Audit Working Group Report (Pages 65 - 68)

2.50

Report by the Chief Internal Auditor (**AG9**).

The report summarises the matters arising at the meeting of the 6 November 2014.

The Committee is RECOMMENDED to note the report.

10. Annual Governance Statement - Action Plan Progress (Pages 69 - 80)

3.10

Report by the County Solicitor & Monitoring Officer (**AG10**)

The County Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good

Governance in Local Government.

Corporate Governance is the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, and lead and control their functions, to achieve their objectives.

The quality of corporate governance arrangements is a key determinant of the quality of services provided by organisations.

Audit & Governance Committee approved the Annual Governance Statement (AGS) for 2013/14 in July 2014. The AGS lists six 'Actions' to be carried out in 2014/15. This report is the first of three during 2014/15 which will describe progress and any other plans that we have for each of these Actions.

The Audit & Governance Committee is RECOMMENDED to note the progress on the AGS Actions.

11. Openness of Local Bodies Regulations (Pages 81 - 86)

3.30

Report of the County Solicitor & Monitoring Officer (**AG11**).

The Government has introduced new Regulations to ensure that members of public are able to report on meetings of local government bodies. This effectively allows the press and members of the public to film, photograph or record any Council meetings that are open to the public. The Regulations also require a written record to be kept, and reported, of certain decisions taken by officers. This report summarises the main changes.

A protocol has been produced by the Council setting out how the rights to film, record and commentate on meetings will be implemented. This Protocol on Filming, Recording and Use of Social Media at Council Meetings is attached as an Annex, which the Committee is asked to endorse.

The Committee is RECOMMENDED to note the changes brought about by the Openness of Local Government Bodies Regulations 2014 and to endorse the Protocol attached as an Annex to this report.

CLOSE OF MEETING

3.50

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on **Thursday 13 November 2014 at 2.00 pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

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AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 17 September 2014 commencing at 2.00 pm and finishing at 4.30 pm

Present:

Voting Members: Councillor David Wilmshurst – in the Chair

Councillor Sandy Lovatt (Deputy Chairman)
Councillor Jamila Azad
Councillor David Bartholomew
Councillor Kevin Bulmer
Councillor Tim Hallchurch MBE
Councillor Jenny Hannaby
Councillor Nick Hards
Councillor John Howson
Dr Geoff Jones

By Invitation: Alan Whitty, Ernst & Young
Maria Grindley, Ernst & Young

Officers:

Whole of meeting Ian Dyson, Chief Internal Auditor; Deborah Miller and Andrea Newman (Chief Executive's Office)

Part of meeting

Agenda Item	Officer Attending
7 onwards	Lorna Baxter, Chief Finance Officer
7 onwards	Peter Clark, County Solicitor and Monitoring Officer;
11	Kate Terroni, Deputy Director - Joint Commissioning
11	Kerry Dearden, Interim ASIP Manager
5	Glenn Watson, Principal Governance Officer
8	Stephanie Skivington, Corporate Finance Manager
8 & 9	Maria Grindley, Ernst & Young
8 & 9	Alan Whitty, Ernst & Young
12 & 13	Richard Webb, Trading Standards and Community Safety Manager
13	Sue Whitehead, Chief Executive's Office

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.

42/14 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies for absence were received from Councillor Roz Smith (Councillor John Howson substituting) and Councillor Simon Hoare (Councillor Kevin Bulmer substituting).

43/14 MINUTES

(Agenda No. 3)

The Minutes of the meeting held on 2 July 2014 were approved and signed.

Minute 32/14 – Minutes

Arising from the Minutes of the previous meeting, Ian Dyson, Chief Internal Auditor, confirmed that he had discussed with Environment & Economy issues that that previously arisen over contract costs. The Committee were advised that the Council's current contractor, SKANSKA, were able to provide the necessary assurances, and works would be carried out with due diligence together with security background checks, which satisfied the Council's quality assurance process. The Contract Management Team had processes in place to check that value was being attained within contracts. The Committee noted that insurance liability and indemnity costs on behalf of the Council were expensive, and could result in significant cost differences.

Minute 35/14 – Annual Report of the Chief Internal Auditor 2013/14

Ian Dyson confirmed that the task order value was not being increased and the issue was being addressed. He confirmed that processes had been put in place and SAP now blocked any invoice which exceeded the purchase order. Monitoring was being undertaken by the Contract Management Team.

44/14 ORDER OF BUSINESS

RESOLVED: to vary the order of business as indicated in these Minutes.

45/14 AUDIT WORKING GROUP REPORT

(Agenda No. 7)

The Committee had before them a report which summarised the matters arising at the meeting of the 4 September 2014.

Ian Dyson, Chief Internal Auditor, confirmed that following the resignation of Councillor Stratford, only Councillor Hannaby remained as a substitute member on the Audit Working Group and that the group required two. The Chairman sought volunteers nominations for a replacement named substitute. Councillor Hards offer to accept the role was accepted.

Mr Dyson reported that there had been in relation to client charging, a marked improvement to Amber and that good management controls had been in place since May, which meant that full monitoring was no longer required. The implementation of the new IT System, LEAN and Responsible Localities were up to date, as were major projects in Adult Social Care.

The Local Enterprise Partnership (LEP) report had been issued without action plans, and comments had now been received from the LEP that some issues were not a matter for Oxfordshire County Council. The definition of the Council as an accountable body for the LEP has now being challenged and a full report was to be taken to the Audit Working Group. Lorna Baxter, Chief Finance Officer, and Stephanie Skivington, Corporate Finance Manager, were liaising for the Accountable Officer's Group.

RESOLVED to:

- (a) note the report;
and,
- (b) agree Councillor Hards as a new named substitute for the AWG.

46/14 INTERNAL AUDIT PLAN - 2014/15 PROGRESS REPORT

(Agenda No. 10)

Ian Dyson, Chief Internal Auditor, presented the Internal Audit progress report for 2014/15, and informed the Committee that there remained an issue with resources as the recent attempts to recruit more staff had been unsuccessful due to strong market competition. The Committee heard that recruitment in this area was an industry-wide difficulty. A fresh recruitment procedure was currently in process at Buckinghamshire County Council, and it was hoped that this would be successful, which would in turn free up resources at Oxfordshire County Council.

With regards to counter-fraud, the Committee were informed that two bids were being considered for fraud funding. A joint venture was on-going with Oxford City Council for data warehousing/matching in respect of Council Tax fraud, which was being funded locally, using practical fraud testing. The results of the exercise would be available in October.

Mr Dyson confirmed that the following the dismissal of an employee from the County Print Finishers Unit, a one year suspended prison sentence had been handed down to the individual. Although no funds had been awarded to the Council, officers were satisfied that the Court had taken the matter seriously, and an attempt would now be made to recover funds under the Proceeds of Crime Act. The Committee were assured that fraud was not ignored; the Council's response to fraud was robust and court action was pursued, hence the recent prosecution. Mr Dyson impressed upon the Committee that small value fraud did not mean that action would not be taken, and that where fraud had been found to have taken place, that potential avenue would be closed down to future abuse.

Several issues had been identified with the use high street vouchers that had been purchased to the value of over £28,000. The management control of the vouchers

once purchased was not good and £3,200 of vouchers could not be accounted for, although there was no evidence of fraud. Councillor Hannaby expressed the view that this system was lacking, and that she was glad to see the issue was being addressed.

The Committee also heard that with regards to an external whistle-blower making an allegation of “fraud”, an investigation had been carried out but was found to be a recording error. The information relating to the fraud allegation had been found to be full of errors. However, the investigation had not been a waste of time, as there a recommendation had now been made to the Director to review the accuracy of the processes employed by the Department.

During discussion, Mr Dyson confirmed that a series of questions were now being asked of managers, which would be used as evidence to form a view with regards to the management of resources. Managers would also be asked to sign a declaration for which they would be held accountable, which if later found to be inaccurate, could lead to disciplinary action.

The Committee also queried whether the number of schools converting to academy status had reduced the workload for Audit Services. Mr Dyson confirmed that although a reduced number of schools remained under Oxfordshire County Council control, 6 were currently under review. He also stated that the Schools Finance Team were a major source of reassurance to schools.

Councillor Hallchurch raised the issue of a school having reported an external attempt of fraud, by way of an unexpectedly large telephone bill and questioned whether an overseas call-bar could be placed on phones to avoid this issue occurring. Mr Dyson explained that it could be difficult to see which individuals were making these calls, but schools had been advised to be vigilant and aware. Peter Clark, County Solicitor and Monitoring Officer, informed the Committee that this may have been an external rather than an internal fraud. Within County Hall only certain phones were authorised to make calls abroad, however, an incident had occurred in the past whereby phones within County Hall were hacked from outside the organisation, and this could be the situation within the school in question at the moment.

RESOLVED: to note the report.

47/14 QUARTERLY UPDATE OF RESPONSIBLE LOCALITIES, LEAN AND NEW ADULT SOCIAL CARE IT SYSTEM

(Agenda No. 11)

The Committee had previously requested and now considered a quarterly update commencing in September 2014 of the Responsible Localities, LEAN and new Adult Social Care IT system projects.

Kate Terroni, Deputy Director - Joint Commissioning, confirmed that changes were underway for Adult Social Care and LEAN had been working for a number of months now as an external consultancy to free up efficiencies in readiness for the Care Act

2015. The purpose of LEAN was to improve systems, up-front opportunities and identify ways to move forwards. There had been early-day success.

The Committee were informed that the Responsible Localities project set out the structure for Adult Social Care, and complied with the safe-guarding and reviewing functions. The current IT System, SWIFT, was clunky to use and would be replaced by LAS from Liquid Logic, which was due to be live from May 2015. It was envisaged that this would pull through other opportunities and Adult Social Care Information (ASCI) and IT would be pulled together.

In discussion, Kate Terroni confirmed to the Committee that the system would be based on 5 localities; if an individual locality was handling a case, the system would allow a Social Worker's presence to follow a person into hospital and out again. Currently 6 LEAN skilled officers were working with teams in both localities and hospitals, and this was working out well.

Councillor Hannaby explained that the first point of contact and getting to the right person was important, in order that problems being experienced by users did not become acute. Communication was vital so as to ensure that people told their story only once. The Committee heard from Ms Terroni that the Customer Service Centre was important, as was good IT systems, which the Committee considered good news.

Ian Dyson, Chief Internal Auditor, remarked that one of the key aspects for the success of the project was how it was controlled. There were a number of stakeholders involved in the process and Internal Audit, IT and Finance were working together to ensure the project was properly governed, that quality was accurate and remained on schedule for delivery in May 2015.

Kerry Dearden, Interim ASIP Manager, reported that the mapping of the system was an end-to-end process, as was the delivery. It therefore did not matter which Directorate the system sat within. All points were being checked and the challenge would be to go out to hospitals, locality teams and their managers. Officers were currently scoping projects and working on delivering end-to-end.

The Chairman asked whether or not reports would be forthcoming on this project on a six-monthly basis. Ian Dyson confirmed that a progress report would be brought back to Committee after Christmas.

RESOLVED: to note the paper.

48/14 LOCAL GOVERNMENT OMBUDSMAN'S ANNUAL REVIEW OF OXFORDSHIRE COUNTY COUNCIL

(Agenda No. 5)

The Committee had before them the Local Government Ombudsman's Annual Review Report for this Council for the year 2013/14.

Glenn Watson, Principal Governance Officer, reported that in previous years, the Ombudsman issued more detailed reports with a commentary on the authority's

performance. Following changes to the Ombudsman's procedures, this was no longer the case. Their Report was high level and did not allow direct comparison with previous years, nor did it give county averages so as to enable benchmarking. That said, overall numbers of complaints considered by the Ombudsman and the outcomes of them could be collated locally. The report highlighted the overall picture which was, broadly, positive.

Mr Watson further informed the Committee that where there had been an increase in the number of complaints received. This could be reflective of a more open organisation which was encouraging of complaints. Having said that, Oxfordshire County Council was fifth-lowest in terms of referrals to the Ombudsman and was believed to be an "open" authority, which was easy to access. This was coupled with the fact that Oxfordshire had the lowest percentage number of complaints upheld by the Ombudsman.

The Council received a significant number of contentious appeals for School Admissions, year on year, for which the Council had a good track record. The Local Government Ombudsman (LGO) had asked to use the Council's template letters for this area of work as a badge of "best practice", which had been agreed. It was in the best interest of parents that there was a fair, open and transparent service within this area.

Councillor Hannaby noted that the number of complaints with regards to Highways seemed low and queried if this was due to the fact that these complaints were handed to the Council's insurers. Peter Clark, the County Solicitor and Monitoring Officer, confirmed that this was due to the fact that the LGO do not have to deal with a complaint if another remedy (i.e. through the courts) was available to a complainant.

In discussion, the Committee heard that there were no county averages provided in the report as the LGO had restructured, slimmed down, and now reported a shortage of resources.

Peter Clark also advised that the LGO practice of finding maladministration in the past had now changed. Now the LGO would produce a public report, require a full report to council or fine a local authority if the LGO were dissatisfied with the response, or if there was a failure to respond to the LGO report. The Committee were also informed that sometimes a complaint could not be rectified, but the complaint might prompt changes in the future, which could be the real nub of the issue in the first place.

Councillor Bartholomew asked about the financial cost of the upheld complaints and the Committee were advised that there had only been one financial award this time, which was unusual as a form of apology, but was reflective of the impact on the individual's livelihood.

RESOLVED: to note and comment upon this report and on the Local Government Ombudsman's Annual Review of Oxfordshire County Council for 2013/14.

49/14 GOVERNANCE AND CONSTITUTION REVIEW

(Agenda No. 6)

The Committee were asked to consider a report outlining the new governance arrangements adopted by the Council in April 2013, which came into effect following the May 2013 elections. The Council asked its Monitoring Officer to review the effectiveness of these decision-making arrangements a year after their coming into operation, along with the underlying Constitution. His recommendations would be considered by Full Council on 9 December. The report therefore summarised the emerging issues from the Monitoring Officer's review.

Peter Clark, County Solicitor and Monitoring Officer, recorded his thanks to the Committee Members who had acted as a sounding board throughout the review process. The Committee were informed that there was a need to balance internal control, with ensuring that meetings focused on business, whilst being mindful of the fact that there were now significantly less staff and Members of Council. The review had found that there was a feeling amongst members that they were distanced and not kept informed, although there was also a general sense of scrutiny being improved. The introduction of locality meetings involving smaller groups of members dealing with parish issues was felt to have been successful, and produced a significant public response from people who felt that they were now seeing officers who dealt with issues, rather than senior officers.

Cabinet Advisory Groups had also been beneficial in the formulation of policy, rather than scrutinising decisions once they had been made.

The Scrutiny report to the last meeting of Council had more support than previously, when there had been concerns of resources being too stretched, as there had been an increased move at meetings to target areas, resulting in the majority of members feeling better informed.

Mr Clark observed that Members had expressed a wish be more informed with regards to Cabinet meetings, and it was likely that the Leader may move towards opening these up more. The Committee also heard that there was a recognised need to improve full Council, although there was as yet no agreement as to what this would look like. Member's views would be sought with regards to this.

Referring to page 30 of the report, Councillor Hards noted the light touch reference to the LEP/City Deal, and the importance for governance that members are aware of how these issues progressed. With regards to the Forward Plan, and the need for clarity, he considered that more information within the plan was preferable. He also suggested that the number of paper copies of documents circulated to members could be reduced, by asking members what they receive, what they wish to receive and in which format they wished to receive information.

In discussion, with reference to the responses in respect of Council at page 20, the Committee heard that 26% of responses agreeing Council was an effective means of debating and delivering business, indicated a widespread dissatisfaction. There was a view that this needed to be addressed urgently. The report was also felt to show at page 21, an undue prominence of some comments, as those made by 2 members

out of 63 were not reflective of the majority of the Council. It was also remarked upon that there may be a need for more stringent regulations, as at present minority groups of 2 people could manipulate Full Council.

Mr Clark clarified that 2 people or more can form a group, although the Constitution currently restricted them on the basis that they did not get preferential treatment of motions, meaning there were 3 qualifying groups for rotation.

Councillor Hallchurch informed the Committee that he felt there was a need for the Chairman of Council to be better trained and that this should be dealt with during the period that members were Vice-Chairman. He also considered that it would be useful for the Chairman of Council to sit for a term of 2 years, rather than 1 year.

Councillor Hannaby considered that Full Council and Cabinet did need looking at and also regretted the loss of Adult Services Scrutiny Committee; this had been a good committee which should not in her view have been cut. She also supported the locality meetings.

Councillor Lovatt expressed support for the committee-based form of governance, as this involved proper debate of issues, followed by recommendations to Council. He felt that currently the Cabinet take a position on a matter, and other members then vote against it.

Mr Clark confirmed that a committee-based system was a legal possibility. However, this process was very heavily dependent on staff members for it to run effectively and would require a three-fold increase in the current number of staff; it was therefore not without a cost implication and could not be undertaken lightly. Mr Clark suggested that a further report be drafted and circulated to the Committee for this matter to be discussed further, as this was the proper committee to report back to Council on the issue.

Councillor Hannaby proposed that there be an extraordinary meeting of the Committee to further discuss a report on this issue, and report back to Full Council. This was unanimously agreed.

RESOLVED: (unanimously) that an extraordinary meeting be arranged prior to consideration by Full Council for further debate on this issue.

50/14 FINAL STATEMENT OF ACCOUNTS 2013/14

(Agenda No. 8)

Stephanie Skivington, Corporate Finance Manager, introduced the Final statement of Accounts 2013/14 and Management Representation Letter 2013/14 to the Auditors to the Committee, which set out changes and minor amendment to the accounts since the draft version was considered by the Committee on at the meeting of 2 July 2014.

Councillor Hards queried the wording of section H on page 56 of the report, in particular the reference to trustees. Maria Grindley, of Ernst & Young, confirmed she would check the wording and confirm if necessary.

Also queried was paragraph 3, of section B on page 48 of the report, which Lorna Baxter, Chief Finance Officer confirmed was a statement of knowledge of fraud during the year, and that this effectively meant that there was an awareness of instances of fraud and that these were being addressed.

Ian Dyson, Chief Internal Auditor, reported that with regards to fraud, details are sent to the Council's external auditors, who also attended meetings of the Committee. If there were any concerns on their part of fraud not being reported, questions would then be asked by them, as a check of balances.

RESOLVED: to:

- (a) Consider and approve the Statement of Accounts for 2013/14 presented to the Committee on 2 July 2014 with the minor amendments listed above;
- (b) Consider and approve the Letter of Representation 2013/14 for the Oxfordshire County Council accounts;
- (c) Consider and approve the Letter of Representation 2013/14 for the Oxfordshire Pension Fund accounts.

51/14 ERNST & YOUNG EXTERNAL AUDITORS

(Agenda No. 9)

Maria Grindley, Ernst & Young, introduced the Audit Results Report for the year ending 31 March 2014. Although not yet complete, the Committee were advised that detailed testing had been undertaken and so far she was satisfied that there were no significant issues to raise. There had been no cause for concern with regards to Significant Audit Risks (page 63 of the report) or other Audit Risks (at page 64).

Alan Whitty, Ernst & Young, confirmed that work was still outstanding with regards to Issues and Misstatements arising from the Audit (at page 65) and Committee were also advised that there would be an additional small fee payable as a result of liaising closely with the Council in order to understand the issues following an enquiry raised by a member of the public. This would be completed in the near future and invoiced separately. There were no significant risks on the Management Override, and letters were due to be issued shortly. There was no change to the fee expected, and no further appendices.

Lorna Baxter, Chief Finance Officer, thanked Stephanie Skivington and her team for the smooth process that had seen this work carried out, to which Maria Grindley added her own thanks for the notable manner in which both teams had worked together, producing strong reports and quick, clear responses to questions raised.

Alan Whitty reported that there would be a new partner taking responsibility for the Pension Plan Fund Audit, and with regards to the Processes outlined on page 94 of the report, further work was being carried out.

RESOLVED: to note

- Annual Results Report – Oxfordshire County Council (**AG9a**)
- Annual Results Report – Oxfordshire Pension Fund (**AG9b**)

- Oxfordshire County Council Pension Updated Audit Plan (**AG9c**)
- Verbal Progress Report to Committee.

52/14 REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

(Agenda No. 12)

The Committee had before them a report covering the Regulation of Investigatory Powers Act 2000 ('the Act'), which regulated the use of covert activities by Local Authorities. It created the statutory framework by which covert surveillance activities might be lawfully undertaken. Special authorisation arrangements needed to be put in place whenever a Local Authority considered commencing covert surveillance or considered obtaining information by the use of informants or officers acting in an undercover capacity.

Codes of Practice issued under the Act provided guidance to authorities on the use of the Act. The Code of Practice relating to covert surveillance specified that elected members should review the Authority's use of the Act and set the policy at least once a year. They should also consider internal reports on the use of the Act periodically.

The paper provided an overview of the use of activities falling within the scope of the Regulation of Investigatory Powers Act 2000 by Oxfordshire County Council in the period from April 2013 to March 2014. The report also provided an overview of the Authority's Policy and the full policy was provided as an Annex for Committee members to review.

Peter Clark, County Solicitor and Monitoring Officer, confirmed that an annual report on this issue had been held back as there had been no formal inspection from the Surveillance Commissioner. Referring to paragraph 5 of the report, the Committee were informed that under the new Code of Practice, no test purchasing could be carried out in relation to the sale of items to under 18's, as there had been no evidence of a breach by any retailers. The Council were also mindful of public sensitivities to covert surveillance and as a result, the Council tended to exercise this power only for the most serious of cases involving the elderly and vulnerable, the sale of fireworks and fraud.

Since becoming a requirement in October 2012, all applications by the Council to seek a Magistrate's approval to commence covert surveillance have been successful.

RESOLVED: to note the periodic and annual use of RIPA by Oxfordshire County Council and the associated Policy.

53/14 OFFICE OF SURVEILLANCE COMMISSIONERS - INSPECTION REPORT

(Agenda No. 13)

The Committee considered the report which outlined the Regulation of Investigatory Powers Act 2000 ('the Act'), which regulated the use of covert activities by Local Authorities, and created the statutory framework by which covert surveillance activities may be lawfully undertaken. Special authorisation arrangements need to be put in place whenever a Local Authority considers commencing covert surveillance or

considers obtaining information by the use of informants or officers acting in an undercover capacity.

As part of the inspection regime, the Office of Surveillance Commissioners carried out inspections from time to time to examine an Authority’s policies, procedures, operations and administration. On 29 May 2014, a Surveillance Inspector visited the County Council to inspect the processes of the Council and the Oxfordshire Fire & Rescue Service.

The outcomes were positive, with the Inspector expressing no issues of concern and making only one procedural recommendation, which had been accepted.

Peter Clark, County Solicitor and Monitoring Officer, reassured the Committee that Oxfordshire County Council and Oxfordshire Fire & Rescue Service employed robust, clear systems to produce a briefing note when applying to the Magistrates Court, which formed part of a central-based record and referred to the guidance.

In discussion, the Committee commented that it was a tribute to Oxfordshire Trading Standards that they had been nationally recognised.

Mr Clark explained that with regards to fly-tipping, authorisation was also required under RIPA, the test being whether fly-tipping a serious crime or not. Of issue was the fact that fly-tipping could cause a fire, which if occurring on a number of occasions could lead to significant costs, and therefore support a need for surveillance. The Committee also heard that with regards to working with Magistrates and Judges, there was no joint training, and that work was carefully managed so as not to be related to individual cases.

Richard Webb, Trading Standards and Community Safety Manager, stated that his team carried out work to periodically raise awareness in respect of the code and the guidance.

The Committee raised concern that the issues raised in paragraphs 5 and 6 of the report appeared to be going on unchecked without surveillance, and the lack of tools to monitor the sale of goods. This was a matter which should be debated by Full Council.

RESOLVED: to note the report.

..... in the Chair

Date of signing 2014

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Division(s): N/A

AUDIT & GOVERNANCE COMMITTEE - 19 NOVEMBER 2014

GOVERNANCE AND CONSTITUTION REVIEW

Report by County Solicitor and Monitoring Officer

1. In April 2013, the Council adopted new governance arrangements which came into effect following the May 2013 elections. The Council asked its Monitoring Officer to review the effectiveness of these decision-making arrangements a year after their coming into operation. In tandem with this, the Monitoring Officer has also undertaken a full review of the Constitution of the Council.
2. This report sets out the Monitoring Officer's recommendations with regard to the Council's governance arrangements and the potential amendments to the Constitution. It outlines the process followed in arriving at these recommendations, summarises the main issues from the review and then sets out the recommendations, in blocks, for Council's to determine.
3. It is recognised that, in such an exercise, it is impossible to achieve a solution that pleases everyone. Some views arising from the consultation have been minority views, with little wider support, or have been contradictory when placed alongside other views. The emphasis, therefore, has been on undertaking a thorough consultation and proposing recommendations to achieve a broad consensus.
4. The Committee gave initial consideration to these matters in September 2014 but wished to have a further discussion at this meeting.

Background

5. New governance arrangements were implemented following the May 2013 elections. The arrangements had been introduced to achieve the aims of:
 - engaging all members more fully on issues that directly affect their local communities.
 - providing a more focused, integrated approach to the development of policy
 - aligning scrutiny more closely to the business and performance of the Council.
6. Key Changes
 - Scrutiny: the number of committees had been reduced from six to three, with the intention of tying scrutiny more closely to the business and priorities of the Council

- Cabinet Advisory Groups: the facility was introduced for Cabinet members to convene start-and-finish groups to advise themselves on areas of policy with the intention of enhancing decision making through effective prior involvement of members. A standing Transport Advisory Panel had also been created, along the same lines
- Locality meetings: nine locality meetings were created at which the county councillors for those areas could receive and share information about issues directly affecting their areas.; the aim being to assist councillors in representing their communities through a more focused flow of information and to enable council managers and service providers to benefit further from councillor perspectives of services 'on the ground'

Process

7. As Monitoring Officer, in considering the governance and constitution reviews as, I have attempted to assess the effectiveness of the arrangements introduced in 2013 against their stated purpose. I have also been mindful that the Council could not reasonably increase its resources in the current climate and would not wish to extend its bureaucracy. The emphasis has continued to be the maximisation of existing resources to better effect.

Consultation

8. It has been important, in carrying out the governance review, to involve councillors and co-opted members, at the outset, as fully as possible, to obtain their views about the arrangements in practice. In the first instance, therefore, the Audit and Governance Committee agreed to my suggestion that a small councillor cross-party 'sounding board' be appointed from within the Committee to assist me in devising and conducting an effective consultation process. I found the assistance of the Sounding Board very useful in doing this and particularly valued their constructive and considered opinion.
9. As a result, the consultation involved:
 - **online consultation**: a questionnaire to all county councillors, co-opted members and senior managers about each aspect of the governance arrangements
 - **formal consideration**: views of members within formal meetings of the decision-making structure including:
 - Audit and Governance Committee, including holding a special meeting of the Committee
 - Cabinet
 - Performance Scrutiny Committee
 - **senior member/management**: the views of political group leaders and senior management via meetings of:
 - County Council Management Team
 - Political Group Leaders
 - **scrutiny chairmen's meeting**: discussion at the periodic meeting for scrutiny chairmen

- **political groups:** views of political groups via their own political group meetings
 - **locality meetings:** attendance by the Monitoring Officer at locality meetings
10. This has culminated in formal reports to Cabinet and now to Full Council. A summary of the members' survey responses is included as **Annex 1** to this report
11. A section-by-section **review of the Constitution** has also been undertaken to update, both to assess emerging issues from the governance review and also to streamline business more effectively. Again, any potential issues of principle have been reviewed through the meetings structure in 9. Above. A summary of the proposed Constitutional changes is included as **Annex 2** to this report. A track change version of the Constitution, illustrating the proposed and the administrative ('tidy up') changes will be placed in the Members' Resource Centre prior to meeting, as a reference copy for councillors' consideration.

Issues

Analysis of the Effectiveness of the Governance Arrangements

12. Overall, the governance changes introduced from May 2013 are considered to have been beneficial in engaging members further and in achieving a closer focus on the business of the Council. Generally, there is a consensus that the arrangements should be allowed to bed down and that no major changes are necessary at this time. Greater clarity as to the roles/remits around decision-making and information would, it seems, be welcome. Co-opted members are equally satisfied, on the whole, that they feel engaged and that the arrangements work well for them. The headline issues arising from the governance review are as follows:
- **Locality Meetings:** these have been very successful with particularly positive feedback from both councillors and officers who found them to be extremely useful in engaging and informing councillors more fully in the interests of their community and in the delivery of council services.
 - **Cabinet Advisory Groups (CAGs):** CAGs are regarded as a useful aspect of the Council's governance, informing service and policy development with the benefit of wider member experience. The challenge appears to be how to raise their profile amongst other members and ensure that their recommendations to Cabinet lead to tangible outcomes and improvements. Improved public awareness about the CAGS is already being facilitated by improvements to the Council website including details of the scope of their work, membership and the outcomes of their work.
 - **Keeping members informed:** an encouraging outcome has been that members consider they are generally being kept more informed about issues affecting their area. Well-informed councillors are crucial to effective democracy, representation and decision-making. It is

encouraging that most councillors are positive about their access to information.

- **Full Council:** a high level of dissatisfaction was expressed by members about their experience of Full Council meetings. However there was no consensus as to how this might be improved. The emphasis has therefore been on refining procedures to streamline and improve effective debate and decision-making.
- **Cabinet:** the Leader wishes to engage local members more fully in terms of receiving their views and hearing their questions and this aspiration can be accommodated within the Constitution. Nonetheless, the members' survey revealed that while Cabinet was considered to be effective there was some perception that Cabinet could perhaps 'listen more' and have more genuine debate. The two aspirations therefore appear to coincide and recommendations are made to improve and wider member participation.
- **Scrutiny:** no specific demand for change as it is considered by most that the arrangements should be allowed to bed down. A small number of members were concerned at the previous changes to the scrutiny of adult services. However, the Chairman of the Performance Scrutiny Committee has already instigated a work programme which will provide a more focused challenge across specialised areas. This work programme will be kept under review.

13. Most of these issues can be taken forward through a greater emphasis on communication, engagement and the alignment of the Constitution. Consequently, no significant changes are being recommended to the governance arrangements.

Constitution

14. Reviewing the Constitution section by section, alongside consideration of the governance arrangements, has indicated certain changes that would, in principle, appear sensible to streamline decision-making and members' engagement with it. Other changes, already within the remit of the Monitoring Officer to make, and do not require formal decision by Council. These relate to 'tidy up' measures for:

- providing further clarity to existing provisions
- updating aspects to reflect legislation or other administrative changes e.g. post titles

The key issues which could usefully be addressed by minor changes to the Constitution focus on improvements, in principle, to aspects of decision making and enabling members to address their views in those settings. The suggested changes are indicated in the schedule at **Annex 2**: Part A of that Annex gives the list of changes in principle; Part B of that Annex summarises the administrative ('tidy up') changes that the Monitoring Officer is authorised to make under his delegated powers. Part C of the Annex summarises issues raised during the review but not taken forward.

RECOMMENDATION

15. **Audit & Governance Committee is asked to comment on the review and to RECOMMENDED Cabinet to consider and endorse the direction of travel of the review.**

PETER CLARK

County Solicitor and Monitoring Officer

Contact Officer: Peter G Clark, Tel: (01865) 323907

November 2014

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Governance Review 2014 Summary of member survey responses

Overview

The survey of councillors showed an overall satisfaction with the governance arrangements and that the changes are considered to have been beneficial in engaging members further and achieving a closer focus on the business of the Council. There is a consensus that the arrangements should be allowed to bed down and that no major changes are necessary. Key points:

- Locality Meetings: the big success of the new governance arrangements, Locality Meetings are perceived to be working very well; the challenge now being to ensure that they achieve greater level of engagement with service and policy development
- Cabinet Advisory Groups (CAGs): CAGs are regarded as a useful aspect of the Council's governance; the challenge now being to raise their profile among members and ensure they are contributing effectively and visibly
- Keeping members informed: an encouraging outcome has been that members feel they are generally being kept informed about issues affecting their area
- Cabinet: overall satisfaction; the challenge now being how to action the Leader's willingness to engage members more fully
- Scrutiny: overall satisfaction with arrangements and an aspiration to achieve a more targeted focus on key issues and performance
- Council: the challenge is to improve the efficiency of Council business (e.g. through clarification of the procedure rules)

Member Survey - responses

Response rate:

64% of councillors responded (40 out of 63 responses).

Includes:

- 9 cabinet members
- 12 participants in CAGs
- 23 scrutiny members
- 40 locality meeting comments

Overview

Members were presented with several 'ratings questions' and then were invited to comment. More councillors responded to the 'ratings' than gave comments.

Therefore, what follows indicates the overall response. Responses to the ratings questions have been shown as % of councillors responding to the question.

Comments, being more subjective, have been given simply as 'the numbers of councillors making the point'. They serve as illustration only. In some cases, given the low numbers making the point, the issue cannot reliably be seen as representative of a particular issue or concern.

Locality Meetings

36 respondents answered the ratings questions.

- 32 agreed or strongly agreed that the Locality Meetings are a useful addition to the governance arrangements
- 1 disagreed or strongly disagreed that Locality Meetings were a useful addition
- 3 had no view as to their usefulness

- 31 agreed or strongly agreed that the Locality Meetings provided a useful way of hearing and sharing views about issues of importance to their constituency
- 4 disagreed or strongly disagreed that they are useful in hearing/sharing constituency views
- 1 had no view

Comments summary

- Useful addition and a good forum for sharing views and hearing about the locality (7 members)
- Perhaps need to be more frequent and/or a little longer (8 members)
- Early days as to whether the locality meetings tie in to the wider governance arrangements (6 members)
- Chairmanship crucial to keep meetings useful and prevent them from being a talking shop/sidelining some divisions (2 members)

Council

31 respondents answered the ratings questions.

- 8 agreed that Council is an effective means of debating/delivering Council business
- 13 disagreed or strongly disagreed that Council is effective means of debating/delivering Council business
- 10 were neutral as to the effectiveness of Council

- 27 agreed or strongly agreed that changes should be made to improve debate and decision-making
- 1 disagreed that changes should be made

- 4 were neutral as to whether changes should be made

Comments summary

- Too many motions (5 members)
- Too many cabinet-related questions that should remain in cabinet (3 members)
- Potentially limit the number of motions per councillor (2 members)
- Council should finish later than 3.30 (i.e. at 4 or 5 pm) – particularly mentioned by Lib Dems (and Green) (5 members)
- Not enough time for debate (linked to previous point) (2 members)
- Too much use of 'move to vote' by the Administration, curtailing debate (2 members)
- Meetings should be webcast (2 members)

Cabinet

29 respondents answered the ratings questions

- 6 agreed that Cabinet engages effectively with wider member views and opinion
- 17 disagreed or strongly disagreed that Cabinet engages effectively with member views/opinion
- 6 were neutral that it engaged effectively with member views/opinion

Comments summary

- Sense that Cabinet does not seek or listen to other councillor views (2 members)
- Debate insufficient:
 - Other groups, not just Opposition, should have opportunity to speak (particularly mentioned by Lib Dems) (6 members)
 - Done deal – no real debate (4 members)
 - Little input from other members (4 members)
 - Councillors don't take opportunity to raise questions (4 members)
 - Scrutiny should have greater pre-consideration (2 members)

Cabinet Advisory Groups

23 respondents answered the ratings questions

- 13 agreed or strongly agreed that CAGs had been a useful addition to governance arrangements
- 5 disagreed or strongly disagreed that CAGs had been a useful addition
- 5 had no view whether CAGs had been a useful addition

- 8 agreed or strongly agreed that CAGs had addressed the right issues
- 4 disagreed or strongly disagreed that CAGs had addressed the right issues
- 10 had no view on whether CAGs had addressed the right issues

Comments summary

- Need for more info and visibility on what these are, how appointed, how they operate and outcomes (11 members)

- Usefulness/effectiveness not fully established and needs bedding down (especially in relation to impact on policy development) (3 members)
- More of a means of informing members than delivering policy development (2 members)

Transport Advisory Panel

16 respondents answered the ratings questions

- 7 agreed or strongly agreed that the TAP had been a useful addition to the governance arrangements
- 5 disagreed that the TAP had been useful
- 4 had no view as to whether the TAP was useful

- 13 thought that some changes should be made to the way TAP operates
- 2 did not think changes should be made to TAP
- 1 had no view as to whether changes should be made to TAP

Comments summary

- Need for more info and visibility on what these are, how appointed, how they operate and outcomes (7 members)

Scrutiny – Generally

32 respondents answered the ratings questions

- 10 agreed or strongly agreed that current arrangements are working well
- 15 disagreed that the arrangements were working well
- 7 had no view as to whether the arrangements were working well

- 20 thought that some changes should be made to how Scrutiny operates
- 8 did not think that changes should be made
- 3 had no view as to whether changes should be made

Comments summary

- Adult Scrutiny Committee should be reintroduced (cross party view) (8 members)
- Scrutiny seems to have reduced too much – more time and resource needed for it to be effective (3 members)
- Challenge to the executive appears diminished (2 members)

Performance Scrutiny

28 respondents answered the ratings questions

- 13 agreed or strongly agreed that the committee provided an effective means of performance management
- 10 disagreed or strongly disagreed with that the committee provided an effective means of performance management
- 5 had no view on the effectiveness of the committee

Comments summary

- Perhaps covers too much – too broad and not sufficiently holding the executive to account (5 members)
- Primacy of this committee masks importance of other subject areas worthy of scrutiny (3 members)

Education Scrutiny

26 respondents answered the ratings questions

- 16 agreed or strongly agreed that the committee provided an effective means of reviewing educational issues
- 3 disagreed or strongly disagreed
- 7 had no view on this

Comments summary

- Role is evolving alongside Oxon CC's role in education (2 members)
- Purpose and efficacy not sufficiently bedded down (5 members)
- Some queries as to whether the social care side of children's services should be more prominently represented in scrutiny (2 members)

Joint Health Overview & Scrutiny

27 respondents answered the ratings questions

- 14 agreed or strongly agreed that JHOSC provided an effective means of reviewing health issues
- 5 disagreed or strongly disagreed
- 8 had no view

Comments summary

- Prominence increased with return of public health function to Oxon CC (2 members)
- Maintaining the effectiveness of JHOSC is important to delivery of public health (2 members)

Health and Wellbeing Board

20 of respondents answered the ratings questions

- 7 agreed or strongly agreed that the HAWB was an effective means of promoting health and wellbeing
- 4 disagreed or strongly disagreed
- 9 had no view

Comments summary

- Important area of work but still finding its feet (5 members)

- More info needed for councillors on role and effectiveness (4 members)

Audit and Governance Committee

16 respondents answered the ratings questions

- 10 agreed or strongly agreed that A&G provides an effective means of reviewing the council's governance and ethical standards
- 1 disagreed or strongly disagreed
- 5 had no view

Comments summary

- Greater clarity needed between this and Performance Scrutiny (3 members)
- Generally effective (4 members)

Planning and Regulation Committee

14 respondents answered the ratings questions

- 10 agreed or strongly agreed that P&R was effective
- 2 disagreed or strongly disagreed
- 2 had no view

Remuneration Committee

15 respondents answered the ratings questions

- 12 agreed or strongly agreed that the Remuneration Committee provided an effective means of managing the council's pay policy etc
- 3 had no view

Information for councillors

38 respondents answered the ratings questions.

- 29 agreed or strongly agreed that they were satisfied with the level of communication they receive about the council and its services
- 4 disagreed or strongly disagreed that they were satisfied with the level of communication
- 5 had no view

- 25 agreed or strongly agreed that the format of reports (length, content, ease of reading) was about right
- 8 disagreed or strongly disagreed
- 4 had no view

- 26 agreed or strongly agreed that they were satisfied with the information available about who to contact in the council
- 8 disagreed or strongly disagreed

- 3 had no view
- 23 agreed or strongly agreed that they received a timely reply from officers when asked for information
- 11 disagreed or strongly disagreed
- 4 had no view

Comments summary

- Reports useful but too long; perhaps introduce one-page summaries; plainer English (3 members)
- Most officers very helpful – but can take too long to get replies to queries; perhaps standard upper limit response time (5 members)
- Knowing who to contact still a challenge for some (2 members)
- Welcome Handbook well received but contacts list should be regularly/more frequently updated (2 members)

Constitution and rules/protocols

38 respondents answered the ratings questions.

- 29 agreed or strongly agreed that they understood their rights to information under the Constitution
- 3 disagreed or strongly disagreed that they understood their rights
- 6 had no view
- 33 agreed or strongly agreed that they knew how to raise issues for consideration at the Council's formal meetings
- 1 disagreed that they knew how to raise issues at formal meetings
- 4 had no view
- 20 agreed or strongly agreed that their views about issues in their constituency were listened to by the Council
- 11 disagreed or strongly disagreed
- 6 had no view

Comments summary

- No common views on the Constitutional rules

END

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PART A – PROPOSED CHANGES

Constitution (current section)	Proposed Change
Articles (Part 2 of Constitution)	
Article 8 Regulatory and other committees	<ul style="list-style-type: none"> • Appeals & Tribunals Sub-Committee – decisions on home to school transport appeals to be determined by a panel of officers with one independent member (not to be a councillor). The Audit & Governance Committee to continue to have governance oversight of the process.
Council Procedure Rules (Part 3.1)	
Page 27 Part 3.1 – Council Procedure Rules	<ul style="list-style-type: none"> • Provide absolute right for Chairman of the Council to adjourn Full Council to take advice • Chairman’s discretion: <ul style="list-style-type: none"> ○ Cabinet questions: provide discretion to the Chairman to redirect questions for a local response by a Cabinet Member where the question has a particularly local focus ○ Rights to speak: make it explicit that the Chairman has discretion to limit the number of persons who may speak on an issue and the order of speaking; and otherwise to have discretion generally to determine if and how persons should speak, in the best interests of the efficiency of the meeting ○ Amendments: discretion on how to handle for example on how the voting on recommendations will be grouped • Themed debates: return to themed debates – the Chairman to have discretion in consultation with Political Group Leaders to allow themed debates and the necessary rules that should apply • Motions:

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Constitution (current section)	Proposed Change
<p style="text-align: center; transform: rotate(-90deg);">Page 28</p>	<ul style="list-style-type: none"> ○ all the motions to Council alternating between the Groups (including the Green Group); ○ include a provision preventing irrelevant or time-wasting motions ○ limit the number of motions and questions a Member can put forward on written notification to 3 ● Petitions and speaking: make it clear that a petitioner’s right to speak is predicated on the presentation of a petition – and the right to speak is forfeit if one not presented. ● Voting: Permit a vote to be recognised on the basis of a ‘clear majority’ rather than taking a formal count; if adopted, include a safeguard whereby a member or agreed number of members have a right to request a formal count (separate from ‘named vote’ which is already provided for) ● Electronic voting: clarify that the right to request a named vote still applies when the vote has been taken by an electronic voting method ● Questions on notice – limit to three each; supplementary questions to remain as present, subject to Chairman’s discretion ● Amendments: process to stay as at present.
<p>Cabinet Procedure Rules (Part 4)</p>	
<p>Part 4.2 & 4.3 – Cabinet</p>	<ul style="list-style-type: none"> ● Members’ right to speak – process to remain as present but loosen up by strengthening the discretion of the Chairman to determine matters (e.g. in terms of order, number and time allotted) ● Retain the current restrictions on supplementary questions (currently one question with one supplementary or two questions

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Constitution (current section)	Proposed Change
	<p>and no supplementary) but allow Chairman’s discretion around the number of questions or multi part questions a councillor may ask where (taken together) these would not, in the Chairman’s view, take up the whole of the allotted time or otherwise prejudice any other constitutional rights</p> <ul style="list-style-type: none"> • Para 2.5 relating to putting agenda items on the Cabinet Agenda. Add a requirement to include items as a result of motions approved at full Council.
Page 29	<ul style="list-style-type: none"> • Rule (9) on agenda items. Currently commitment to put an item on agenda if received either 10 or 15 days before with an expectation that there will be a report. Bring these rules into line with the rules for committees and sub-committees which initially commit only to give an oral report if less than 20 days’ notice given. [See Part 9.3 Protocol on Members Rights and Responsibilities – Rule 7 Rights of Members to Place Items on Agendas, Para (d).]
Codes and Protocols	
Part 9.3 Protocol on Members’ Rights and Responsibilities	<ul style="list-style-type: none"> • Insert reference to the Council’s Protocol on filming/recording/commentating in meetings – implications for councillors • Para 8: take out the rights for Councillors to receive meeting papers on request, unless exceptional reasons apply.
Part 9.4 Members’ Planning Code of Practice	<ul style="list-style-type: none"> • Issue an updated Planning Code based on existing the code, consistent with the district councils in Oxfordshire and in consistent also with the Lawyers for Local Government Model Code • In addition, outside the Constitution, supply members with a protocol of guidance on <i>Bias and Predetermination</i> reflecting

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Constitution (current section)	Proposed Change
	recent government guidance, best practice and legal case law
Petition Scheme	
Part 11 Petition Scheme	The Petition Scheme is no longer a statutory requirement and in practice no petitions under that scheme have ever been triggered and the public already have a right to petition and address Full Council. Delete the Scheme as other mechanisms are available.
New Section	
Index	Introduce an Index for ease of use and better to facilitate cross-referencing.

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PART B: ADMINISTRATIVE CHANGES

'Tidy up' provisions required to "comply with law, give effect to decisions, correct errors or otherwise for accuracy or rectification" (as delegated to the Monitoring Officer under Article 14 of the Constitution).

Constitution	Proposed Change
Part 1 – Key Decisions	Revert to statutory definition of a 'key decision' with footnote giving explanatory guidance on the definition of 'significant'
Part 2 – Articles	
Article 2 – Role of members	Include a reference to the purpose of the Locality Meetings in the 'roles of members'
Article 4 – Full Council	Policy Framework: The Corporate Plan will be approved by Council four-yearly with annual updates on progress being reported to Cabinet.
Article 6 – Para 7(c) Cabinet	Provision for Cabinet members to set up groups to assist them. Delete as no longer required, as this is now covered by the provisions relating to Cabinet Advisory Groups
Article 3 - Citizens	Reference the statutory right of citizens to record/film/commentate at formal meetings
Article 6A – Para 2 (ix)	Amend "nevertheless groups may not wish to meet in public". Currently the negative is missing.
Article 6A and 6B	Cross reference in Article 6 and move detail (6A and 6B) into Cabinet procedure Rules
Article 7 Overview and Scrutiny – Para 4 Education Scrutiny Committee	Education Transformation Board, no longer exists, amend 4(i)(a) and 4(i)(b) to reflect change.
Article 8A – Health and Wellbeing Board	<ul style="list-style-type: none"> • Update names of organisations and number and types of sub-boards • Add role of JMGs (Adult Partnership Board abolished) • Amend Para 4 to say: "Meetings of the Board will be chaired by

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Constitution	Proposed Change
	<p>the Leader of the Council and the Vice-Chairman will be its Clinical Chair as notified to the Monitoring Officer of Oxfordshire County Council.”</p> <ul style="list-style-type: none"> • Para 10 – clarify the expectation of frequency of meetings –public and informal
Article 10 – Agency, Joint and Partnership Arrangements	<ul style="list-style-type: none"> • Add a section about the principles of Partnership Working and how they report back to the Council • Add Oxfordshire Growth Board as a joint committee of the Council.
Article 11 - Officers	Part 1 – add post of Director of Public Health and principal areas of service. Add footnote to specify that the Director of Public Health is the Council’s Chief Medical Advisor within the terms of the Mental Health Act 1983.
Article 11 – Officers	<ul style="list-style-type: none"> • Terminology – provide greater clarity of titles used and so delete the term “Chief Officer” and clarify that the term “Director” (and the delegation accruing to the post) should include the 3 statutory posts – Head of paid service (Chief Executive), Section 151 Officer (Chief Finance Officer) and Monitoring Officer (Chief Legal Officer) also the Chief Fire Officer and Chief Internal Auditor?. If so apply it equally to Part 7.3 Scheme of Delegation
Article 12 – Decision Making	<p>Para 1 – responsibility for decision making: last sentence states that the record of responsibility for who-decides-what ‘is set out in this Constitution’. This suggests a separate specific document. Amend to cross-refer to scheme of delegation.</p>
Article 12 – Decision Making	<ul style="list-style-type: none"> • Para 3 – key decisions taken by officers need to be in the Forward Plan. Clarify what is expected with regard to officer executive decision making to bring into line with Executive Arrangement Regulations. Add section in this Article, as for other decision

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Constitution	Proposed Change
	makers, from Rule 4 onwards i.e. 'Decision making by officers'?
Part 3 - Council Procedure Rules	
Part 3.1 – Council Procedure Rules	<ul style="list-style-type: none"> • Rectify inconsistency between Para. 18.1 Signing of Minutes (no discussion other than accuracy) and 1.1.2(iv) which allows for 'receiving of any info arising from them' • Members and members of the public: clarify that the word Member means 'member of the council'
Part 4 - Cabinet Procedure Rules	
Part 4.2 Cabinet Procedure Rules Page 33	Rule 1.2.4 - for clarity amend to read '2 clear working days' Rule 2.3 - Add new (vi) - any reports from Cabinet Advisory Groups. Rule 2.3 - Update footnote. Rule (11) Scrutiny Committee reports – current wording reflects a time when there were far more formal scrutiny review reports and they all went to Cabinet. It is sensible to keep it in so that when needed the process is there but it is not appropriate that all outcomes from Scrutiny go by this formal route and therefore that the word “will” is changed to “may” to reflect current practice? Rule (11). Nothing in Constitution refers to tracking the outcomes from Scrutiny Reviews. Add an extra paragraph to do this.
Part 6 – Scrutiny Procedure Rules	
Part 6.2 Scrutiny Procedure Rules	Rule (1) – Cross reference to spell out how they conduct their proceedings i.e. which parts of Council Procedure Rules apply. <ul style="list-style-type: none"> • Rule (2)(b) – clarification of voting rights for Co-opted members. Education Scrutiny Committee deals solely with education functions – not the wider Children’s Services, which has been the case in the past. • Clarify that co-opted members can vote on whether a Working Group should be set up or the matter dealt with by Committee as whole. Rule (8) on quorum. State the Rule rather than need to find

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Constitution	Proposed Change
	it in Council Procedure Rules.
Part 6.3 Protocol on public participation	Scrutiny context - update to remove out of date references e.g. contact details for the team under procedure for co-ordination stakeholder ideas.
Part 7 – Scheme of Delegation	
Part 7.1 – Schemes of Delegation	Update post titles and consider inclusion of wider management structure (i.e. “top three levels of the organisation” – consistent with the publicity requirements of the Code on Data Transparency 2014).
Part 7.2 - Section not in use	Delete section and renumber others accordingly
Part 7.3 – Schemes of Delegation	<ul style="list-style-type: none"> • Para 1: Terminology - clarify the Council’s understanding of the range of roles that are to be regarded as ‘directors’ within the terms of this section and others (e.g. contract and financial rules); also whether there is significance to the term ‘officers’ (as encompassing Chief Executive, Directors and other chief officers’) • Para 1.5: add “(e) any exercise of delegation making incorrect references to any part of the Constitution, relevant statute, legislation, or bye-law shall not of itself invalidate the authorised delegation. • Para 2: specify that all directors are official deputies for the Chief Executive and how deputisation will follow rotational pattern etc. • Para 6: Chief Executive’s authorisations - "any exercise of these functions shall be reported to the Cabinet or other relevant committee or sub-committee”. The reporting is currently done on a quarterly basis. New regulations will require that a record of the decision should be published on the web site as soon as possible. • Para 6: add to the functions of County Solicitor (as Monitoring Officer) has the statutory role under Freedom of Information Act for determining that Section 36 exemptions apply (‘prejudice effective conduct of public affairs/ free and frank exchange of

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2014 Constitutional Review – Approval Matrix

Constitution	Proposed Change
<p>Page 55</p>	<p>views etc.’)</p> <ul style="list-style-type: none"> • Unpaid leave – mechanism for approval (beyond 12 months): request for a period of unpaid leave exceeding 12 months was a responsibility of former Democracy and Organisation Committee that passed to Remuneration Committee, although not perhaps explicit. HR have also used the route of the Leader and Chief Executive to get this leave authorised which seems heavy handed. HR propose that unpaid leave beyond 12 months and any other exceptional request for any sort of leave over and above the limits specified in Part 7.3 section 4 are delegated to agreement by the Director, Chief HR Officer and Chief Finance Officer. That would cover the service, HR policy and financial / pension implications. Supported by Remuneration Committee at its meeting in September 2014.
<p>Part 8 – Access, Contract, Financial and Other Procedure Rules</p>	
<p>Part 8.1 – Access to Information Procedure Rules</p>	<ul style="list-style-type: none"> • Insert reference to the rules/protocol re: public filming/recording/commentating in meetings • Add the protocol as an annex
<p>Part 8.3 – Contract Procedure Rules</p>	<p>Reordering the document to more closely align with the chronology of a procurement process and the use of chapters to make it easier to find relevant provisions. Proposed chapters are:</p> <ol style="list-style-type: none"> 1. Introduction 2. Pre-procurement 3. The procurement process 4. Contract award 5. Post-award 6. General <p>To improve the ease of use of the document it is proposed that some</p>

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Annex 2

2014 Constitutional Review – Approval Matrix

Constitution	Proposed Change
	definitions are added within the text and that more use is made of footnotes
Part 8.2 – Financial Procedure Rules	<ul style="list-style-type: none"> • Rules 19, 40, 44: Changes to Capital approval authorisation • Rule 48: Change in reporting arrangements – requests for virements included in directorate monitoring reports to be included in the financial monitoring report to Cabinet • Rule 58: Change in arrangements for ‘provisions’ • Rule 59: Updated to include new Accounts and Audit Regulations provision for undertaking internal audit of accounting records and systems of financial control • Rule 80-82: New section on ‘Loans’ including responsibilities of Chief Finance Officer and Directors • Rule 83-86: Imprest accounts and Trust funds are now dealt with in separate sections • Rule 92: Increased segregation of duty is required – Directors therefore required to ensure a segregation of duties between staff with responsibility for identifying income (including the raising of invoices) and those with responsibility for the cash collection of the income
Part 8.4 – Officer Employment Procedure Rules	Update job and committee titles.
Part 9 – Codes and Protocols	
Part 9.1 – Members’ Code of Conduct	Gifts and hospitality: insert guidance to advise members that, while not statutory to do so, gifts and hospitality should ideally be registered
Part 9.2 – Gifts and hospitality policy	Section outdated and no longer needed. Delete.
Part 9.3 Protocol on Members’ Rights and Responsibilities	(Para. 9(f)): Local members have rights where Cabinet considers a matter ‘directly relates to an Electoral Division’. Include a definition of what constitutes such a matter to clarify that it relates to all reports and not only to single Division matters.
Part 10 – Members’ Allowances Scheme	

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Annex 2

2014 Constitutional Review – Approval Matrix

Constitution	Proposed Change
Part 10 Member Allowances Scheme	Implement any decision taken arising from the Autumn 2014 Allowances Review
Legislative Amendments	
Implement the <i>Local Audit and Accountability Act 2014</i>	<p>Amendments to the Constitution to reflect the requirement to set up and consult an independent auditor panel; and to reflect the amendments made by the Act to the referendum provisions of the Local Government Finance Act 1992 if a council tax increase is intended above the Secretary of State’s limit. Provisions to be updated:</p> <ul style="list-style-type: none"> • Part 2, Article 4: appointment of auditors is a function of the Full Council (not an officer, committee, sub-committee nor of the executive) • Part 2 Article 8: Regulatory and Other Committees – if it is agreed that the Auditor Panel should either be a separate committee or form part of the duties of an existing committee, this article would need amendment. OTHERWISE if not appointed as a committee, a separate/new article would be required setting out the terms of reference etc. Regulations awaited and a decision will need to be taken at a later date or Council could delegate to County Solicitor in consultation with the Audit & Governance Committee. • Part 2, Article 9: prepare to amend terms of reference of the Audit & Governance Committee to delete references to the ‘Audit Commission’ when this is formally abolished in 2015. • Part 3.2 budget and policy framework: reference in para (n) to update LGFA section

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Annex 2
2014 Constitutional Review – Approval Matrix

PART C: ISSUES RAISED THROUGH THE GOVERNANCE REVIEW BUT NOT PURSUED

Issue	Reason not pursued
Full Council Meetings	Some members object to ‘political point scoring’ at Full Council meetings. Given that the meeting involves all 63 members of the Council, representing various party groups, the occurrence of a political dimension is not itself surprising or – to some extent – avoidable. In any event, it lies with members themselves, and political groups, to determine the culture and nature of debate.
Scrutiny arrangements	A small number of members were concerned at the abolition, previously, of a scrutiny committee for adult social care. However, the Chairman of the Performance Scrutiny Committee has already instigated a work programme which will provide a more focused challenge across specialised areas. This work programme will be kept under review.
Article 5 – Chairman of the Council Chairman should receive training and should possibly serve for 2 years	Recognise the rationale for this, given the high profile nature of the Chairman’s role within meetings of Full Council and as the civic and ceremonial head of the Council. However, no consensus that lengthening the service to two years will either be equitable or sustainable. Training is always available in any case either at the request of the member or at the discretion of the Chief Executive and/or Monitoring Officer, in the best interests of the Council.
Article 8 – Corporate Parenting Group be included as a formal sub-committee of the Council	<ul style="list-style-type: none"> • Corporate Parenting Group – this should <u>not</u> be designated as a formal sub-committee of the Council (i.e. subject to Schedule 12A publicity requirements)
Council Procedure Rules: Length of Full Council meetings should be extended to allow them to go on	No consensus on this. Council made a clear decision to limit the normal end time to 3.30pm under a previous review. Current provisions already allow for the Chairman to vary the (start and) end

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Annex 2

2014 Constitutional Review – Approval Matrix

Issue	Reason not pursued
beyond 3.30 p.m.	time following consultation with Group Leaders in any given instance.
Council Procedure Rules: Amendments to Motions: <ul style="list-style-type: none"> • Schedule to have times for the Amendment and the main Motion, which the Chairman will keep to; • Speaking on the Amendment limited to one minute • Limit numbers speaking on Amendment 	Important not to restrict members opportunity to speak.
Part 4.2 & 4.3 – Cabinet Procedure Rules: Consider publishing Cabinet Members’ answers to written questions further in advance of meetings, in an addendum	Answers are already prepared and published in advance. To publish them even earlier would lead to an unreasonable and potentially unachievable burden on officers.

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Division(s):

CABINET – 25 November 2014

TREASURY MANAGEMENT MID-TERM REVIEW 2014/15

Report by Chief Finance Officer

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 Lending List Changes
 - Annex 2 Debt Financing 2014/15
 - Annex 3 PWLB Debt Maturing
 - Annex 4 Prudential Indicator Monitoring
 - Annex 5 Arlingclose Quarter 1 Benchmarking

Strategy 2014/15

3. The approved Treasury Management Strategy for 2014/15 was based on an average base rate forecast of 0.50%.
4. The Strategy for Long Term Borrowing was to use internal balances up the value of 25% of the investment portfolio.
5. The Strategy included the continued use of pooled fund vehicles with variable net asset value.

Economic Background

6. The recent relatively strong performance of the UK economy continued with output growing at 0.8% in Q1 2014 and at 0.9% in Q2. The services sector being the main contributor. On the back of strong consumption growth, business investment appeared to be recovering quickly, albeit from a low base. The annual CPI inflation rate fell to 1.2% year-on-year in September.
7. The labour market continued to improve, with headline unemployment falling to 6.2%. However, earnings growth remained very weak, rising just 0.6% for the three months May-July 2014 compared to the same period a year earlier. The growth in employment was masked by a large number of zero-hour contracts and involuntary part-time working.
8. The MPC made no change to the Bank Rate of 0.5% and maintained asset purchases at £375bn. However, there was a marked shift in tone from the Bank of England's Governor and other MPC members. In his Mansion House speech in June 2014 Governor Mark Carney warned that interest rates might rise sooner than financial markets were expecting. Following some mixed messages from Governor Carney later in the summer, the minutes of the August and September MPC meetings revealed a split vote with regards to the Bank Rate. Ian McCafferty and Martin Weale voted to increase Bank Rate by 0.25%, arguing economic circumstances were sufficient to justify an immediate rise. The MPC emphasised that when Bank Rate did begin to rise, it was expected to do so only gradually and would likely remain below average historical levels for some time to come.

9. In the Bank of England's August Inflation Report the Bank forecast growth to be around 3½% in 2014, easing back thereafter to around its pre-crisis historical average rate. Inflation was forecast to remain at, or slightly below, 2% before reaching the target at the end of the 2-year forecast period.
10. The Bank's Financial Policy Committee also announced a range of measures to abate the UK's housing market in order to avert the potential of spiralling house prices derailing a sustainable economic recovery. Key recommendations included lenders stress-testing that mortgage applicants can cope with a 3% rise in interest rates; putting a 15% cap on the number of mortgages at more than 4.5 times the borrower's income; and a separate Treasury pledge banning anyone applying for a loan through the Help to Buy scheme borrowing more than 4.5 times their income. The Prudential Regulation Authority also announced that it intends to consult on capital requirements for mortgages.
11. The result of the Scottish referendum in the end was close, but not as close as many believed it might be. However, the political upheaval set in motion (the Prime Minister's linking of a more devolved Scotland to giving greater powers to English MPs over English-only legislation, the prospect of Scotland's potential freedom to raise taxes not being replicated elsewhere in the UK) is arguably likely to be just as problematic in the run-up to and beyond next year's general election.
12. Eurozone inflation continued to fall towards zero (HICP inflation registered just 0.3% in September), and there was mounting evidence that the already feeble recovery was losing pace. The unemployment rate remained very high at 11.5%. The European Central Bank lowered its official benchmark interest rate from 0.15% to 0.05%. The rate it pays on commercial bank balances held with it was also cut further into negative territory from -0.1% to -0.2% and the Marginal Lending Facility rate cut further to 0.3%. The ECB also announced a programme of acquiring Asset Backed Securities (ABS) from banks in an effort to encourage lending which was viewed as being one step away from full blown Quantitative Easing (QE) adopted by the US, UK and Japanese central banks. The minutes of the Bank of England's MPC meeting in September noted that "weakness in the euro area had been the most significant development during the month" and that, if it led once again to uncertainty about the sustainability of euro-area public and external debt, it could damage confidence and disrupt financial markets.
13. There was no change in the US Federal Reserve as the central bank kept policy on its current track with a reduction in asset purchases by \$10 billion per month. Asset purchases are expected to end by October 2014, expectations therefore turned towards the timing of rate increases. The US economy rebounded strongly in Q2 with annualised growth of 4.6%.
14. Gilt yields have continued to decline and hit a financial year low at the end of August, before moving upwards in the run up to the Scottish referendum. What has driven yields lower is a combination of factors but the primary drivers have been the escalation of geo-political risk within the Middle East and Ukraine alongside the slide towards deflation within the Eurozone (EZ).

Treasury Management Activity

Debt Financing

15. Oxfordshire County Council's debt financing to date for 2014/15 is analysed in Annex 2.
16. The 2014/15 borrowing strategy is to use internal balances to fund new or replacement borrowing up to the value of 25% of the portfolio. This is intended to reduce the cost of carry (the difference between borrowing rates and investment returns) in the low interest rate environment and reduce counterparty risk by minimising the level of cash balances.
17. There has been no change to this strategy.
18. The Council's cumulative total external debt has decreased from £401.38m on 1 April 2014 to £400.38m by 30 September 2014, a net decrease of £1m. No new debt financing has been arranged during the year. The total forecast external debt as at 31 March 2015, after repayment of loans maturing during the year, is £399.38m. The forecast debt financing position for 31 March 2015 is shown in Annex 2.

19. At 30 September 2014, the authority had 66 PWLB¹ loans totalling £350.38m and 10 LOBO² loans totalling £50m. The combined weighted average interest rate for external debt as at 30 September 2014 was 4.53%.

Maturing Debt

20. The Council repaid £1m of maturing PWLB loans during the first half of the year. The details are set out in Annex 3.

Debt Restructuring

21. There has been no restructuring of Long Term Debt during the year to date.

Investment Strategy

22. The security and liquidity of cash was prioritised above the requirement to maximise returns. The Council continued to adopt a cautious approach to lending to financial institutions and continuously monitored credit quality information relating to counterparties.
23. During the first half of the financial year short term fixed deposits of up to 12 months have been placed with banks, building societies and local authorities. All deposits with banks & building societies have been restricted to a maximum duration of twelve months. No deposits over twelve months have been made with other local authorities. This was due to fewer local authorities in the market than experienced in previous years, possibly due to front loading of grants. Where local authorities were in the market for deposits over 12 months it was determined that rates quoted did not reflect the wider market and the potential for increases in the base rate of interest over the period.
24. In January 2015 the UK will implement the “bail-in” provisions of the EU Bank Recovery and Resolution Directive, a year earlier than most other countries. Bail-in involves shareholders of a failing institution being divested of their shares, and creditors of the institution having their claims cancelled or reduced to the extent necessary to restore the institution to financial viability. Through the use of term deposits with banks and building societies the Council will be classified as an unsecured creditor, subsequently any term deposits would fall within the scope of a bail-in. In the event of a bail-in public authorities’ term deposits would begin to take a loss at the point at which shareholders had been fully divested and junior bond holders have been bailed-in in full.
25. In the event of a bail-in there are numerous factors which would determine whether a public authority term deposit would be subject to loss and the extent of a given loss. These include the size of the loss incurred by the counterparty, the value of equity capital and junior bonds available to absorb any loss first, and the proportion of unsecured creditors eligible for compensation. Those eligible for compensation include all non-financial private sector organisations. The effect of a greater proportion of creditors eligible for compensation is to reduce the pool of unsecured creditors to share any loss, thus increasing the losses of the remaining creditors.
26. Reforms will signal a move away from government support for failing banks and building societies. This introduces a risk that UK banks and building societies may be subject to credit rating downgrades by the three major ratings agencies when next reviewed, to reflect the removal of government support. This could result in some counterparties on our existing lending list falling below our current minimum credit rating criteria, including the Council’s own bank Lloyds.
27. In response to concerns surrounding bail-in, as well as tensions and negativity in the wider European economy the Treasury Management Strategy Team (TMST), in line with advice from treasury advisors Arlingclose, agreed to reduce the durations of all new unsecured investments with counterparties likely to be affected (see

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.

below). The TMST will continue to monitor the situation, as well as seeking to move towards the use of secured investments.

28. The Treasury Management Strategy Statement and Annual Investment Strategy for 2014/15 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 original strategy permitted up to 20% of the total portfolio to be invested with external fund managers and pooled funds (excluding Money Market Funds).
29. Current investments in pooled funds are held with a long-term basis and reflect the higher level of volatility they may display when viewed on a short-term basis. As such the TMST aim to avoid withdrawals from pooled fund investments for cashflow purposes, in order to ensure any negative effects of short term volatility are not realised. For 2014/15 the total portfolio size is expected to fluctuate by approximately £170m, with cash balances reducing temporarily towards the end of the year. The reduced portfolio size towards year end has the effect of constraining investment in pooled funds throughout the year to 20% of the minimum forecast portfolio size. As pooled fund investments are held with a long term view there is no appetite to make withdrawals when balances temporarily decrease for a short period, as this could result in losses of principal. Subsequently, investments in pooled funds are not made if it is forecast that the limit will be breached at any point later in the current year.
30. Due to the practical implications discussed above, as well as the need for greater diversification, and to move away from unsecured bank and building society term deposits, it is recommended that the limit be increased to no more than 30% of the total portfolio. The limit and levels of diversification should be monitored monthly by the TMST. In order to ensure appropriate diversification within externally managed and pooled funds these should be diversified between a minimum of two asset classes.
31. The performance of the pooled funds will continue to be monitored by the TMST throughout the year against the funds benchmarks and the in-house portfolio. The TMST will keep pooled funds under review, including ensuring appropriate diversification and the consideration of alternative investment and fund structures, to manage overall portfolio risk.
32. It is recommended that the authority to withdraw, or advance additional funds to/from pooled fund and external fund managers, continue to be delegated to the TMST.

The Council's Lending List

33. The Council's in-house cash balances were deposited with institutions that meet the Council's approved credit rating criteria. The approved Lending List was updated during the period to incorporate additional counterparties. Changes were reported to Cabinet on a bi-monthly basis. Annex 1 shows the amendments incorporated into the Lending List during the first half of 2014/15, in accordance with the approved credit rating criteria. Additionally the reductions in duration previously discussed, applied beyond the reporting period have been included for information.
34. In the six months to 30 September 2014 there were no instances of breaches in policy. Any breaches in policy will be reported to Cabinet as part of the bi-monthly financial monitoring.

Investment Performance

35. 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 for 2014/15.
36. The average daily balance of temporary surplus cash invested in-house in the six months to 30 September was £359.3m. The Council achieved an average in-house return for that period of 0.77%, falling below the target rate of 0.80% set in the strategy. This has produced gross interest receivable of £1.38m.

37. Temporary surplus cash includes; Government grants received in advance, developer contributions, maintained school balances, council reserves and balances, working capital, trust fund balances, and various other funds to which the Council pays interest at each financial year end, based on the average rate earned on all balances.
38. 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 2014/15 the average three month inter-bank sterling rate was 0.42%. The Council's average in-house return of 0.77% exceeded the benchmark by 0.35%. 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 £41.8million or 11.6% of the total in house portfolio.

External Fund Managers and Pooled Funds

39. The Council continued to use pooled funds with variable net asset value operated by Scottish Widows Investment Partnership, Federated, Threadneedle and Payden & Rygel. The annualised returns over the period to 30 September 2014 for these funds were 0.72%, 0.66%, 3.89% and 1.05% respectively. Weighted by value this represents an overall annualised return of 2.15% on pooled fund investments for the period. These investments are held with a long-term view and performance is assessed accordingly.

Prudential Indicators for Treasury Management

40. The position as at 30 September 2014 for the Prudential Indicators is shown in Annex 4.

External Performance Indicators and Statistics

41. 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 2013/14 showed that Oxfordshire County Council had achieved an average return of 0.86% compared with an average of 0.85% for their comparative group of 50 members
42. The average interest rate paid for all debt during 2013/14 was 4.57%, with an average of 4.34% for the comparative group of 50 members. 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 88% compared to 73% for the all member group. Oxfordshire County Council had 12% of its debt in LOBO loans at 31 March 2014 compared with an average of 18% for the comparative group.
43. 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 2014 are not yet available. Quarter 1 results to 30 June 2014 are included in annex 5.
44. The benchmarking results show that the Council has achieved higher than average interest on deposits at 30 June 2014. This has been achieved by placing deposits over a longer than average duration with institutions that are of better than average credit quality.

Training

45. Individuals within the Treasury Management Team continued to keep up to date with the latest developments and have attended a number of external workshops and conferences.

Financial and Legal Implications

46. Interest payable and receivable in relation to Treasury Management activities are only two parts of the overall Strategic Measures budget.

47. The 2014/15 budget for interest receivable is £2.4m. The forecast outturn for interest receivable is £2.5m giving net forecast excess income of £0.1m. The increased forecast in interest receivable is due to higher average cash balances due in part to the timings of capital and revenue expenditure.

48. Interest payable is currently forecast to be in line with the budgeted figure of £18.2m.

RECOMMENDATION

49. **The Cabinet is RECOMMENDED to note the report, and to RECOMMEND Council to note the Council's Mid-Term Treasury Management Review 2014/15 and to approve the revision to the Treasury Management Strategy Statement & Annual Investment Strategy 2014/15.**

LORNA BAXTER
Chief Finance Officer

Contact officer: Lewis Gosling – Financial Manager (Treasury Management)
Contact number: 01865 323988
November 2014

Lending List Changes during 2014/15**Counterparties added/reinstated**

Counterparty	Lending Limit	Maximum Maturity
Rabobank Group	£25m	364 days
Goldman Sachs International Bank	£15m	100 days
Landesbank Hessen-Thuringen (Helaba)	£20m	100 days

Counterparties removed

No Counterparties have been removed from the Lending List between 1 April 2014 and 30 September 2014.

Lending limits & Maturity limits increased

No Counterparty limits have been increased between 1 April 2014 and 30 September 2014.

Lending limits & Maturity limits decreased

No Counterparty limits have been decreased between 1 April 2014 and 30 September 2014.

Lending limits & Maturity limits decreased after the reporting period

Counterparty	New Lending limit	New Maximum Maturity
HSBC Bank	no change	6 months
Standard Chartered	no change	6 months
Lloyds Bank	no change	6 months
Rabobank	no change	6 months
Svenska Handelsbanken	no change	6 months
Development Bank of Singapore (DBS)	no change	6 months
Overseas-Chinese Banking Corp	no change	6 months
United Overseas bank	no change	6 months
National Australia Bank	no change	6 months
Commonwealth Bank of Australia	no change	6 months
Bank of Montreal	no change	6 months
Bank of Nova Scotia	no change	6 months
Canadian Imperial Bank of Commerce	no change	6 months
Toronto-Dominion Bank	no change	6 months
National Bank of Canada	no change	100 days
Barclays Bank	no change	100 days

Annex 2

OXFORDSHIRE COUNTY COUNCIL DEBT FINANCING 2014/15

<u>Debt Profile</u>		£m
1. PWLB	88%	351.38
2. Money Market LOBO loans	12%	<u>50.00</u>
3. Sub-total External Debt		401.38
4. Internal Balances	0%	<u>-13.52</u>
5. Actual Debt at 31 March 2014	100%	387.86
6. Government Supported Borrowing		0.00
7. Unsupported Borrowing		12.48
8. Borrowing in Advance		0.00
9. Minimum Revenue Provision		<u>-16.16</u>
10. Forecast Debt at 31 March 2015		384.18
<u>Maturing Debt</u>		
11. PWLB loans maturing during the year		-2.00
12. PWLB loans repaid prematurely in the course of debt restructuring		<u>0.00</u>
13. Total Maturing Debt		-2.00
<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		<u>0.00</u>
17. Total New External Borrowing		0.00
<u>Debt Profile Year End</u>		
18. PWLB	87%	349.38
19. Money Market LOBO loans	13%	<u>50.00</u>
20. Sub-total External Debt		399.38
21. Internal Balances	0%	<u>-15.20</u>
22. Forecast Debt at 31 March 2015	100%	384.18

Line

- 1 – 5 This is a breakdown of the Council's debt at the beginning of the financial year (1 April 2014). 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 2014/15.
- 15 New PWLB loans to replace debt repaid early.
- 16 The Money Market borrowing undertaken by the Council during 2014/15.
- 17 The total external borrowing undertaken.
- 18-22 The Council's forecast debt profile at the end of the year.

Long-Term Debt Maturing 2014/15**Public Works Loan Board: Loans Matured during first half of 2014/15**

Date	Amount £m	Rate %
13/07/2014	0.500	2.35%
31/07/2014	0.500	2.35%
Total	1.000	

Public Works Loan Board: Loans Due to Mature during second half of 2014/15

Date	Amount £m	Rate %
13/01/2015	0.500	2.35%
31/01/2015	0.500	2.35%
Total	1.000	

Prudential Indicators Monitoring at 30 September 2014**Authorised and Operational Limit for External Debt**

Authorised limit for External Debt	£484,000,000
Operational Limit for External Debt	£474,000,000
Capital Financing Requirement for year	£420,249,000

	Actual 30/09/2014	Forecast 31/03/2015
Borrowing	£400,382,618	£399,382,618
Other Long-Term Liabilities	£40,000,000	£40,000,000
Total	£440,382,618	£439,382,618

Fixed Interest Rate Exposure

Fixed Interest Net Borrowing limit		150.00%
Actual at 30 September 2014	100.41%	

Variable Interest Rate Exposure

Variable Interest Net Borrowing limit		25.00%
Actual at 30 September 2014	-0.41%	

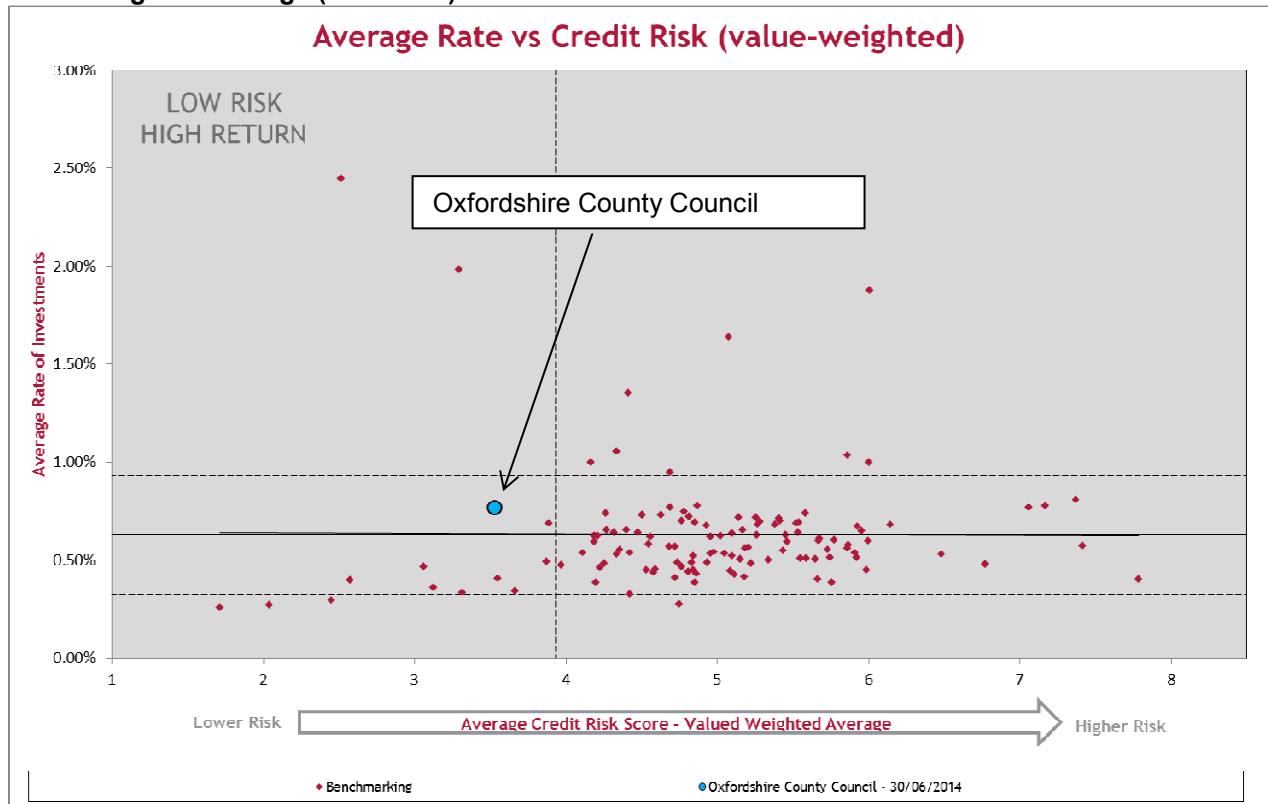
Sums Invested over 365 days

Total sums invested for more than 364 days limit	£150,000,000	
Actual sums invested for more than 364 days		£ 50,000,000

Maturity Structure of Borrowing

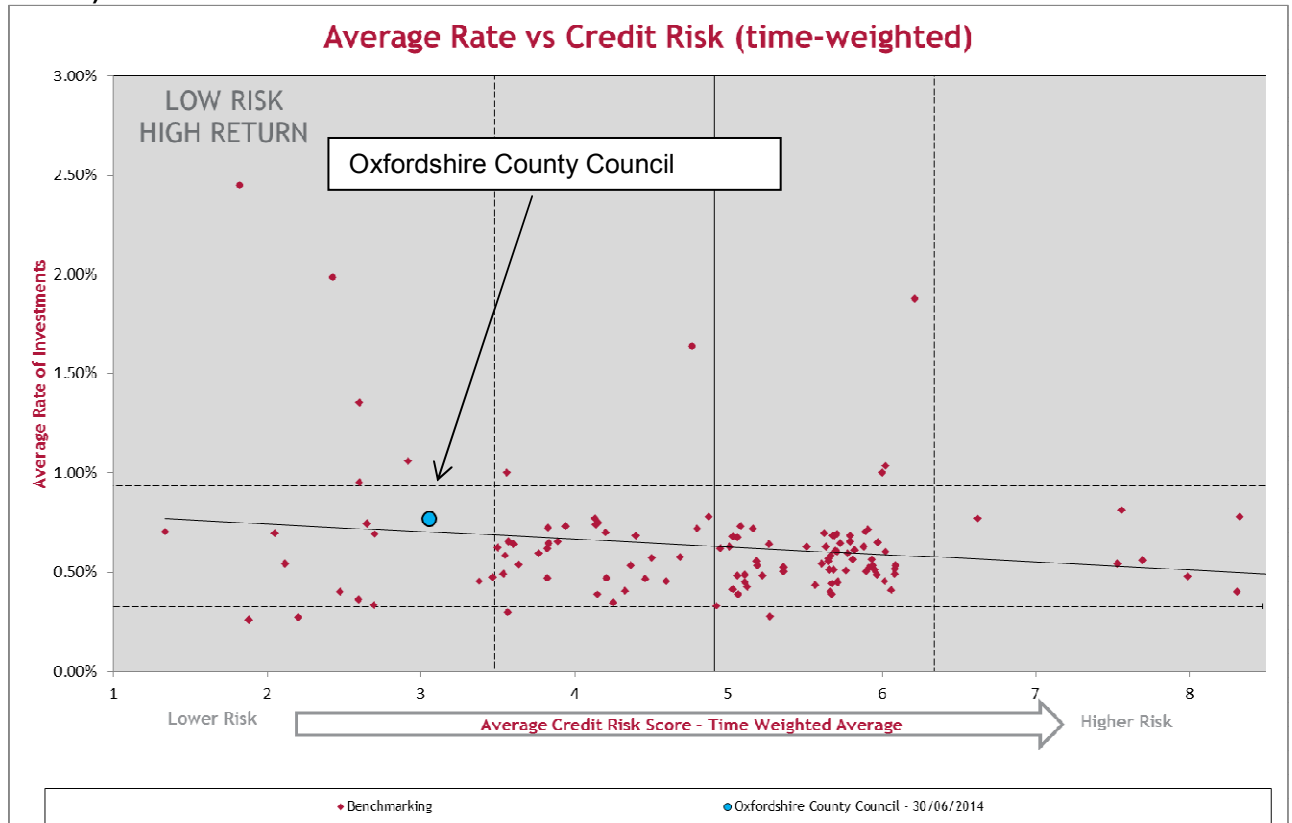
	Limit %	Actual %
Under 12 months	0 - 20	4.00
12 – 24 months	0 - 25	4.00
24 months – 5 years	0 - 35	17.48
5 years to 10 years	5 - 40	13.48
10 years +	50 - 95	61.04

Value weighted average (all clients)



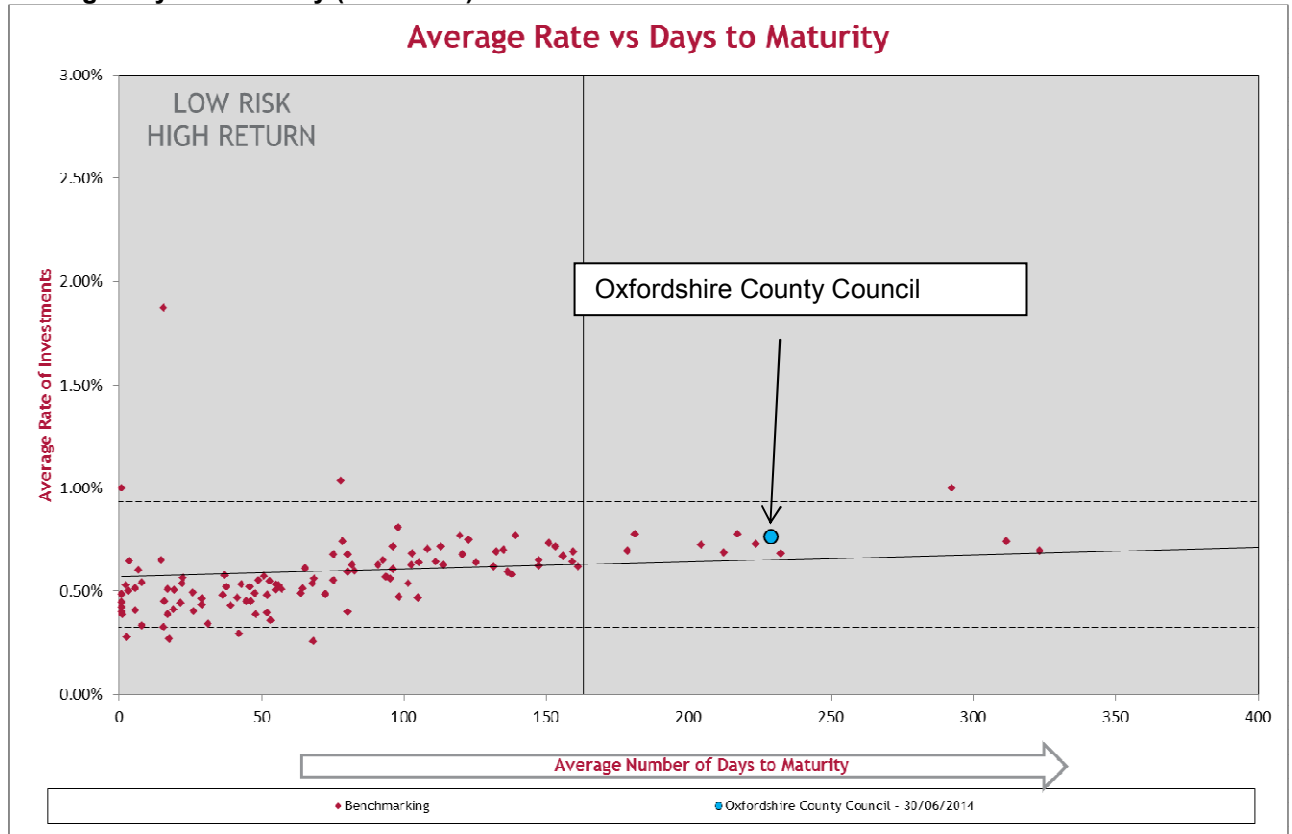
This graph shows that, at 30 June 2014, Oxfordshire achieved a higher than average return for lower than average credit risk, weighted by deposit size.

Time weighted Average (all clients)



This graph shows that, at 30 June 2014, Oxfordshire achieved higher than average return for lower than average credit risk, weighted by duration.

Average Days to Maturity (all clients)



This graph shows that, at 30 June 2014, Oxfordshire achieved a higher than average return by placing deposits for longer than average duration.

Annual Audit Letter

Year end 31 March 2014

Oxfordshire County Council

15 October 2014

Ernst & Young LLP



The Members
Oxfordshire County Council
County Hall
New Road
Oxford OX1 1ND

15 October 2014

Dear Members,

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Oxfordshire County Council and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance of Oxfordshire County Council in the following reports:

2013/2014 Audit results report for Oxfordshire County Council	Issued 24 September 2014
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2013/2014 Audit results report for the Oxfordshire County Council Pension Fund	Issued 24 September 2014
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The matters reported here are the most significant for the Authority.

I would like to take this opportunity to thank the officers of Oxfordshire County Council for their assistance during the course of our work.

Yours faithfully,



Maria Grindley
Director
For and behalf of Ernst & Young LLP
Enc

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1. Executive summary

Our 2013/2014 audit work has been undertaken in accordance with the Audit Plan we issued on 26 February 2014 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on an annual basis on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ Forming an opinion on the financial statements;
- ▶ Reviewing the Annual Governance Statement;
- ▶ Forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ Undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of Oxfordshire County Council and its Pension Fund for the financial year ended 31 March 2014 in accordance with International Standards on Auditing (UK and Ireland)	On 24 September 2014 we issued unqualified audit opinions in respect of both the Authority and the Pension Fund.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 24 September 2014 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Authority (the Audit Committee) communicating significant findings resulting from our audit.	On 24 September 2014 we issued two reports, one in respect of the Authority and the other in respect of the Pension Fund.
Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 24 September 2014
Consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA/SOLACE guidance.	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	No issues to report.
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.	No issues to report.

Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

On 24 September 2014 we issued our audit completion certificate.

2. Key findings

2.1 Financial statement audit

We audited the Authority's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 24 September 2014.

In our view, the quality of the process for producing the accounts, including the supporting working papers was good

The main issues identified as part of our audit were:

Significant risk 1: Academies

- ▶ We downgraded this risk as we found that the Council has put in place procedures to manage the de-recognition of schools moving to academy status.
 - ▶ Our work on the financial statements confirmed that appropriate action has been taken to remove assets and related income and expenditure transactions.
 - ▶ We did not identify any areas of concern.
-

Significant risk 2: Risk of management override

- ▶ Our general audit work on journals, accounting estimates and significant unusual transactions identified no matters that we need to bring to the Council's attention.
-

Other risks: Pensions valuations

- ▶ We found that controls were in place to ensure appropriate information is shared with actuaries.
 - ▶ We have assessed the report of the service auditor and our internal review of that report and undertaken additional work as appropriate.
 - ▶ The financial statements accurately reflect the figures in the actuarial report.
 - ▶ We did not identify any areas of concern.
-

2.2 Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2013/2014 our conclusion was based on two criteria:

- ▶ The organisation has proper arrangements in place for securing financial resilience; and
- ▶ The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 24 September 2014. Our audit did not identify any significant matters.

Other risk: Achievement of savings plan

We found that the Council achieved an underspend against budget and has set a balanced budget for 2014/15. The Council through its medium term financial plan is aware of future budget pressures and is considering a number of ways to improve efficiencies including the outsourcing of back office functions.

2.3 Objections received

We received no objections to the 2013/2014 accounts from members of the public.

2.4 Whole of government accounts

We reported to the National Audit office on 24 September 2014 the results of our work performed in relation the accuracy of the consolidation pack the Authority is required to prepare for the whole of government accounts. We did not identify any areas of concern.

2.5 Annual governance statement

We are required to consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA/SOLACE guidance. We completed this work and did not identify any areas of concern.

2.6 Certification of grants claims and returns

For 2013/2014 we will not be completing any work on claims and returns under the Audit Commission regime and will refund the £700 we had included in our audit fee for such work.

3. Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal of internal control we communicated to those charged with governance at the Authority, as required, significant deficiencies in internal control.

We completed this work and did not identify any areas of concern.

4. Audit Fee

A breakdown of our agreed fee is shown below..

	Proposed Final Fee 2013-14 £	Scale Fee 2013-14 £	Explanation of variance
Total Audit Fee – Code work	147,024	146,610	414*
Certification of claims and returns	0	700	fee reduced**
Non-audit work (provide details)	5,971	0	see below***

* Extra fee for correspondence with members of the public

**There are no grants for 2013/14 which fall under the Audit Commission's regime.

*** We have undertaken non-audit work outside of the Audit Commission's Audit Code requirements. This was in relation to Oxfordshire County Council Waste PPP.

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AUDIT and GOVERNANCE COMMITTEE – 19 November 2014

REPORT OF THE AUDIT WORKING GROUP (AWG)

The Audit Working Group met on 6 November 2014

The meeting was attended by:

Dr Geoff Jones – Chairman; Cllr Wilmshurst; Cllr Lovatt; Cllr J Hannaby; Lorna Baxter; Peter Clark and Ian Dyson.

Part meeting only: AWG14.18 Kate Terroni, Andrew Colling and Sarah Cox; AWG 14.19 Alexandra Bailey; AWG14.20 Neil Shovell.

Observers: Cllr Hards

Apologies: Cllr R Smith

Matters to report:

AWG 14.18 Residential and Home Support Payment Process.

The Internal Audit report was presented to the Group. The report gives an overall opinion of "Red" for home care support payments as the system was found to be weak and open to the risk of error or abuse without adequate detection or escalation; the overall opinion for residential care was "Amber".

This was a financial audit; however the processes cross over into contract management, and the findings also highlighted potential issues in relation to care provision, which was a key concern for the Group. The Deputy Director and the Contracts and Quality Service Manager attended the Group and acknowledged the weaknesses highlighted in the report. The Officers set out the actions they have taken, including an assessment of the potential financial exposure created by the current weaknesses. It was acknowledged the overall exposure when compared to total spend is low; however, the Officers confirmed that the current performance was not accepted, and that prompt actions are being taken.

It was agreed that the Chief Internal Auditor would provide an update on progress to the meeting in January, and that Officers would attend the AWG in April 2015 to provide the Group with evidence the actions taken have been effective.

AWG14.19 Integrated Transport Unit (ITU)

The Service Manager Business Development and Fleet, gave a presentation to the Group setting out the current management actions that are being taken to improve the governance and efficiency of the ITU. The focus of the presentation was on the internal transport provision. The management actions were a combination of those arising from an internal review; internal audits previously reported to the AWG; and, reviews by the Health and Safety team.

The Group was very pleased with the management action being taken and in particular the positive results achieved including where better route planning has generated efficiency savings. It was noted there is further work to be completed on the actions, and that the management team are working closely with Internal Audit.

The Chief Internal Auditor stated there is an audit currently in progress within ITU, the scope of which extends across the full provision of services.

AWG14.20 Local Enterprise Partnership (LEP)

The Group previously received a report from the Chief Internal Auditor identifying unresolved governance issues between OCC and the LEP. An update was provided by Internal Audit, and the Chief Finance Officer was also able to reassure the group that there is a very good working relationship with the LEP including them providing information when requested. The issues highlighted in the original report are no longer significant; however, for clarity and good governance it was agreed that the key documents, the service level agreement, and the memorandum of understanding need to be updated and signed by both parties.

The Chief Finance Officer briefly explained the various funding streams through the LEP and the role of OCC as the accountable body. The Group suggested this needed to be set out in detail, including the key risks for OCC and how they are mitigated. It was agreed this should be a topic for a presentation at the development session held before Audit and Governance Committee meetings. A date of 25 February was agreed; the Chief Finance Officer will lead the presentation.

AWG14.21 Procure to Pay process - Performance Targets

Following a previous update on the outcome of the Procure to Pay project it was noted that existing performance targets were to be amended. The Group requested to see the revised targets. The report set out the targets and highlighted that no future investment was to be undertaken in existing processes as this is an area in scope for the partnership with Hampshire County Council. The Group acknowledged the position, and noted the report.

AWG14.22 Internal Audit Update

The key issue for Internal Audit remains resourcing. The Chief Internal Auditor highlighted that an appointment has been made for a Senior Auditor at Buckinghamshire County Council that will enable a small reduction in the number of days OCC staff are delivering under the collaboration this year. In addition up to 100 audit days are being procured from Hampshire County Council, and discussions are currently being held with an external provider for a further 150 days on a secondment basis; however this has not yet been confirmed.

Until this resource is secured a full revision of the Internal Audit plan cannot be completed; however the audit activity on financial systems is resourced and will commence in Q4. An assurance process for the key governance systems has been designed, and is being discussed with Senior Managers to be undertaken in Q4. The process will be a series of risk assessments by managers across Directorates, followed up with a controls assessment interview conducted by Internal Audit, and limited testing to validate the responses.

An update on resources will be provided at the Audit and Governance Committee, and it is expected that a revised assurance based plan will be presented to the Committee at the meeting in January 2015.

The Committee is RECOMMENDED to note the report.

Lorna Baxter
Chief Finance Officer

Contact: Officer: Ian Dyson, Chief Internal Auditor Tel 01865 323875
ian.dyson@oxfordshire.gov.uk

November 2014

AUDIT WORKING GROUP
TIMETABLE AND WORK PROGRAMME 2014/15

11 December 2014 - 14:00 - 16:00

- Risk Management Report - Ian Dyson
- EE Risk Register - Phil Alderton/Rikke Hansen (TBC)
- CEF Risk Management - Steve Thomas

12 February 2015 - 14:00 - 16:00

- Internal Audit Report - Ian Dyson
- Risk Management Report - Ian Dyson
- Draft Work Programme 2015/16 - Ian Dyson
- Review of AWG Terms of Reference - Ian Dyson
- SCS Risk Register - Steve Thomas
- Public Health Risk Register - Alan Rouse

09 April 2015 - 14:00 - 16:00

- Indicative Annual Governance Statement actions for 2015/16 - David Illingworth
- Update on Residential and Home Support Payments - Kate Terroni / Andrew Colling
- Internal Audit Progress Report - Ian Dyson
- Risk Management Report - Ian Dyson
- C EX Risk Register - Eira Hale
- Oxfordshire Fire & Rescue Service Risk Register - Simon Belcher
- Whistleblowing Incidents 2014/15 - Peter Clark

Wednesday 22 April 2015 13:00 - 14:00

- Private meeting with Ernst and Young - 22 April 2015

11 June 2014 - 14:00 - 16:00

- Draft Annual Governance Statement
- Internal Audit Report - Ian Dyson
- Draft Internal Audit Report - Ian Dyson
- Risk Management Report - Ian Dyson

Note - Private meeting with Chief Internal Audit date to be determined.

Division(s): N/A

AUDIT & GOVERNANCE COMMITTEE – 19 NOVEMBER 2014

PROGRESS ON THE ACTIONS IN THE 2013-14 ANNUAL GOVERNANCE STATEMENT

Report by the County Solicitor & Monitoring Officer

Introduction

1. Audit & Governance Committee approved the Annual Governance Statement (AGS) for 2013/14 in July 2014. The AGS lists six 'Actions' to be carried out in 2014/15. This report is the first of three during 2014/15 which will describe progress and any other plans that we have for each of these Actions.

The Progress Report

2. Annex 1 gives the 'First Progress Report on the Six AGS Actions' for 2014/15. Progress has been made on all of the six AGS Actions.

RECOMMENDATION

3. **The Audit & Governance Committee is RECOMMENDED to note the progress on the AGS Actions.**

PETER CLARK

County Solicitor & Monitoring Officer

Background papers: The Annual Governance Statement 2013/14, which is at the back of our Annual Statement of Accounts for that year

<https://www.oxfordshire.gov.uk/cms/sites/default/files/folders/documents/aboutyourcouncil/accestoinformation/StatementofAccounts2013-14.pdf>

Contact Officer: David Illingworth (01865) 323972

November 2014

Annex 1 - First Progress Report on the Six AGS Actions

Action	Progress
<p>1. Data Transfers and Security (on-going from 2012/13)</p> <p>Ensuring that where appropriate, data is transmitted securely either using 'Government Connect', or Egress Switch email and file transfer software or another secure software system.</p>	<ul style="list-style-type: none"> • The authority now holds 240 PSN email licenced accounts (replacing Government Connect GCSx accounts) and 1,469 Egress Switch licences, in addition to CJSM accounts • A comprehensive communications plan has been drafted and is now in operation so that messages about sending data securely are consistently reinforced • Guidance has been drafted and issued to staff on the correct system to use when communicating with other public partners, Schools and voluntary organisations. • Targeted emails have also been sent to licence and account holders to ensure they are using the systems appropriately • All staff that have PSN secure email accounts have signed up to the PSN Acceptable User Policy (AUP). • At the beginning of 2014 a new PSN Email system was delivered, with training to support account-holders in the use of the new system • 'Tell Us Once' teams in Registration Service and CSC were migrated to PSN in May 2014 • The ICT Newsletter that was handed out at this year's Staff Conference included details about the use of secure email. We also take the opportunity to remind staff of the need to communicate securely and the arrangements in place at our regular on site, support visits.

Action	Progress
<p>2. Data Quality (on-going from 2013/14)</p> <p>Agree, implement and report on the performance of a Data Quality Strategy within the organisation and with third parties</p>	<p>A revised version of the Data Quality Strategy has been produced and this is being taken through the various stages of approval:</p> <ul style="list-style-type: none"> • Firstly by the Information Governance Group; then by the • Corporate Governance Assurance Group – with a specific focus on the proposed organisational and policy changes required to embed Data Quality within the organisation; and then by • Chief Executive’s Office Departmental Leadership Team; and if this is referred on: to • County Council Management Team
<p>3. Commercial Services Board (on-going from 2013/14)</p> <p>The Board’s framework should be embedded and implemented effectively. This will provide an on-going robust overview of the adequacy of procurement and contract management arrangements across the organisation including contract performance and visibility of issues/risks.</p>	<p>The Board continues to meet monthly.</p> <p>The pipeline of commercial activity continues to be monitored. The business case review group a subset of the Board has added further to its capacity to review the commercial aspects of business cases. The Board’s sponsorship of Contract Management Framework implementation has led to an improved picture of baseline activity for the Platinum group of contracts with 22 or 26 assessments complete - although not all have been signed off/action plans developed.</p> <p>Over 240 people have identified themselves as contract managers and of these 114 have been validated for one of the contract management training events.</p> <p>The first “Effective Contract Management” module is now live following a successful pilot with 8 training cohorts running through to March 15.</p> <p>Embedding the Boards work and re-enforcing its role and purpose continues to be challenging and further work on this is being undertaken,</p>

Action	Progress
	particularly by supporting the development of a more consistent approach to commissioning.
<p>4. Business Continuity</p> <p>a. Undertake a review of Business Continuity processes, guidance documents and templates to ensure that they reflect contracted services and rationalised process.</p> <p>b. Ensure that appropriate BC toolkits, training and testing information is available to staff and managers.</p> <p>c. Ensure that all necessary plans exist, can easily be accessed on a central database and are up to date and realistic.</p> <p>d. Ensure that plans are updated when there is organisational change, estate rationalisation or increasing flexible or agile working.</p> <p>e. Ensure that business continuity arrangements are reviewed and if necessary changed when commissioning or externalising services.</p> <p>f. Ensure that Tier 3 managers sign off the plans.</p>	<p>Good progress is being made within business continuity with a new Business Continuity and Resilience Officer starting in the organisation in July 2014 to undertake a review of business continuity processes and the relationship of this area to audit, assurance and directorates.</p> <p>A review of business continuity processes is underway using Good Practice principles, starting with consultation with directorate and service leads which will inform the drafting of a new suite of guidance and templates by early 2015. A review of directorate and corporate extraordinary meetings plans is underway to ensure consistency of approach throughout.</p> <p>A new joint emergency and business continuity programme will be launched by the end of the current year, offering training and exercise opportunities to individuals and key groups using online, table-top and immersive exercise techniques.</p> <p>The new BC & Resilience Officer has made good progress working with the Business Continuity Steering Group Members to review Group 1 service BC plans and to start to build a new system for the collation and management of these. The new system should enable the managers to review plans in a timely way and in response to structural or organisational change to ensure that they remain current and reflect risk, service priorities and desired return schedules.</p> <p>Overall, steady progress in being made to review requirements and to work with directorates to deliver new systems that reflect organisational priorities.</p>

Action	Progress
<p>5. Externalisation of Human Resources and Finance Services</p> <p>Setting up, implementing and embedding our new operating model includes extensive working with another public body and other work. The following action is required as a result.</p> <p>Develop for the approval of CCMT and the Audit & Governance Committee a robust assurance framework for the governance and systems of internal control for the planned externalisation of services including explicitly those where there may be a transfer in full or in part of key control processes.</p> <p>Risks arising as our partners access our data and other information assets will need to be explicitly considered.</p> <p>The output of this process is to be reviewed by CGAG, approved by CCMT and Audit & Governance Committee.</p>	<p>An extensive programme of work to ensure the successful transfer of Human Resources and Finance Services to Hampshire County Council began in September 2014.</p> <p>There is an established governance framework for the project. The Chief Finance Officer and Chief HR Officer attend regular Joint Board Meetings with Hampshire County Council. A Project Initiation Document (PID) has been signed by both authorities to clearly identify the deliverables and scope of the project. Within OCC, the Externalisation Board comprising the Sponsors and other senior officers oversees the project and receives reports from relevant workstream leads, including any risks and issues that they have highlighted.</p> <p>During the current design phase of the project, a series of workshops is identifying all the operating differences in processes between the two authorities, including any internal control issues. The risks and issues log is a fundamental part of the project management arrangements and is reviewed frequently at both workstream and Board level. Any proposed changes to internal controls will be considered and agreed by the Finance Leadership Team.</p> <p>Work over the next few months will include the development and agreement of future processes and technical solutions, where security of data issues will be considered. The Business Readiness workstream will ensure that Directorates and schools understand and are prepared for any changes as a consequence of the Project.</p>

Action	Progress
<p>6. Partnerships</p> <p>To undertake a review of governance arrangements in relation to key strategic partnerships where the council is a formal member.</p>	<ul style="list-style-type: none"> • The Head of Law & Governance gave a briefing in July that was open to all councillors. Staff were also briefed, in August. • A report was presented to the full meeting of the County Council on 9th September outlining the work being done by various strategic partnerships • The report to Council outlines the governance arrangements for each of the partnerships • More details are given in the following Annex 2. Governance arrangements for the Environment and Waste Partnership were to be reviewed in October, but will now be considered at the January 2015 meeting.

Annex 2 – Partnerships and Governance Details

All-Member Briefings

An All-Member briefing was given to County Councillors in July of this year by the Head of Policy and Head of Law & Governance. This briefing then formed the basis of a presentation to staff in August.

Oxfordshire Partnerships Report

At a Full meeting of the County Council on 9th September, a report was presented which gave an outline of the work being done across the county by various strategic partnerships;

- Local Enterprise Partnership
- Spatial Planning and Infrastructure Partnership (to become The Growth Board)
- Health and Wellbeing Board
- Environment & Waste Partnership
- Safer Communities Partnership
- Stronger Communities Alliance
- Safeguarding Children Board
- Safeguarding Adults Board

The full reports can be found [here](#).

These reports are presented to the Council on an annual basis.

In each report we ask the partnerships to tell us;

- Their current focus
- Their key achievements in the last year
- Their aims for the year ahead
- Their key challenges

This year for the first time, we asked them to outline their governance arrangements. These extracts are shown below. The Notes section also highlights where they have mentioned scrutiny and oversight.

Partnership Name	Oxfordshire Local Enterprise Partnership
Chairman	Adrian Shooter
OCC Lead Member	Cllr Ian Hudspeth
OCC Lead Officer	Sue Scane
Website Address	http://www.oxfordshirelep.org.uk
Governance Arrangements	Incorporated cross sector board

Partnership Name	Spatial Planning and Infrastructure Partnership (Growth Board)
Chairman	Chairman, Lead Officer and Programme Officer: Prior to June 2014: Cllr M Barber, Vale of White Horse District Council Anna Robinson, South Oxfordshire District Council Carolyn Organ, South Oxfordshire District Council July 2014 onwards: Cllr B Norton, West Oxfordshire district Council Andrew Tucker, West Oxfordshire District Council Programme Officer to be appointed
OCC Lead Member	Cllr Ian Hudspeth
OCC Lead Officer	Tom Flanagan
Website Address	https://www.oxfordshire.gov.uk/cms/content/spatial-planning-and-infrastructure-partnership
Governance Arrangements	SPIP core membership comprises Leaders or Cabinet/ Executive Members from each of the local authorities and the LEP and Homes and Communities Agency, as well as invitees from Thames Valley Police, Oxfordshire CCG, Environment Agency, Natural England and the Highways Agency. SPIP is supported by an executive of senior officers from the six member local authorities, the HCA, LEP and other partners.
Notes	
<ul style="list-style-type: none"> • Consideration of appointing an independent chair for member meetings, to help the process of making potentially difficult decisions and move work forward • Working to integrate the functions of SPIP and the Local Transport Board in order to establish the Oxfordshire Growth Board. 	

Partnership Name	Oxfordshire Environment and Waste Partnerships
Chairman	Cllr David Dodds, South Oxfordshire District Council (until March 2014). Moving to Councillor Reg Waite, Vale of White Horse District Council for next meeting.
OCC Lead Member	Councillor Nimmo-Smith
OCC Lead Officer	Rachel Burns (for OWP) Sarah Gilbert (for OEP)
Website Address	www.recycleforoxfordshire.org.uk
Governance Arrangements	To be reviewed and agreed at October meeting (NOW DELAYED TO JANUARY 2015)
Notes	
<p>In early 2014 Leaders agreed to dissolve the Oxfordshire Waste Partnership, although Councils will continue to work together on issues surrounding the reduction, collection, and disposal of waste.</p> <p>The scheduled meeting of OEP and OWP in June 2014 was cancelled to allow time for existing arrangements of OWP to be brought to a close, and partnership arrangements which are streamlined and fit for purpose to be developed. These will be proposed in October 2014.</p> <p>Developing appropriate arrangements to maintain joint working on waste without formal partnership structures. Identifying the scope of work sitting under OEP and ensuring participation from the correct groups of officers and members.</p>	

Partnership Name	Health and Wellbeing Board
Chairman	Cllr Ian Hudspeth
OCC Lead Member	Cllr Ian Hudspeth
OCC Lead Officer	Jonathan McWilliam
Website Address	https://www.oxfordshire.gov.uk/cms/public-site/health-and-wellbeing-board
Governance Arrangements	The Health and Wellbeing Board (HWB) members include local GPs, senior Councillors, the new Healthwatch Oxfordshire and senior officers from Local Government. Three Partnership Boards and a Public Involvement Network report into it. The HWB meets in public three times a year. Each of the three Partnership Boards does the same.
Notes	
<p>The key challenges for the Partnership and how these will be addressed going forward; Changing the relationship between the Health and Wellbeing Board and the Joint Management Groups that oversee the pooled budgets, and will take responsibility for implementing priorities for adult health and social care following dissolution of the Adult Health and Social Care Board.</p>	

Partnership Name	Oxfordshire Safer Communities Partnership
Chairman	Cllr Bill Jones (Vale of White Horse District Council)
OCC Lead Member	Cllr Kieron Mallon
OCC Lead Officer	Dave Etheridge
Website Address	https://www.oxfordshire.gov.uk/cms/content/oxfordshire-safer-communities-partnership
Governance Arrangements	The Oxfordshire Safer Communities Partnership (OSCP) Board is councillor-led (rotating Chairmanship every two years) and includes representation from all six local authorities in Oxfordshire, as well as key community safety partners including Police, Health and the Community Rehabilitation Company. The Board meets 3 times per year and is supported by a Business Group that meets 6 times per year.
Notes	
Current funding from the Police and Crime commissioner is £789k. There has been an 11% reduction in this funding since 2013/14. The funding is shared between Community Safety Partnerships, Oxfordshire County Council's Drug and Alcohol Team (Public Health) and the Youth offending Service/ Early Intervention Service.	

Partnership Name	Oxfordshire Stronger Communities Alliance
Chairman	Rt Revd Bishop Colin Fletcher & Cllr Hilary Hibbert-Biles
OCC Lead Member	Cllr Hilary Hibbert-Biles
OCC Lead Officer	Jonathan McWilliam
Website Address	https://www.oxfordshire.gov.uk/cms/content/oxfordshire-stronger-communities-alliance
Governance Arrangements	The OSCA brings together 23 members from voluntary sector support providers, faith groups, representatives of local councils, the NHS, military and police. OSCA Partnership meetings are held three times a year.

Partnership Name	Oxfordshire Safeguarding Children Board
Chairman	Maggie Blyth
OCC Lead Member	Melinda Tilley
OCC Lead Officer	Lucy Butler
Website Address	www.oscb.org.uk
Governance Arrangements	The Oxfordshire Safeguarding Children Board (OCSB) is led by an independent chair and includes representation from all six local authorities in Oxfordshire, as well as Probation, Police, OCCG, Oxford University Hospitals NHS Trust, Oxford Health NHS FT, schools and FE colleges. The Board meets 3 times per year and is supported by an Executive Group that meets 6 times per year.

Partnership Name	Oxfordshire Safeguarding Adults Board
Chairman	Donald McPhail
OCC Lead Member	Cllr Judith Heathcoat
OCC Lead Officer	Kate Terroni
Website Address	www.safefromharm.org.uk
Governance Arrangements	Our board includes members from all statutory agencies, including: Oxfordshire County Council, Thames Valley Police, NHS Oxfordshire, Oxford Health NHS Foundation Trust and the Oxford University Hospitals NHS Trust. Our Board has working relationships with other Boards and partnerships across the County, including the Oxfordshire Health and Wellbeing Board to whom we submit an Annual Report.
Notes	
<p>Safeguarding Adult Boards will become statutory bodies in April 2015 following the implementation of the Care Act 2014.</p> <p>There are six sub groups which report to the Safeguarding Adults Board, which in addition to the list below includes a Monitoring and Evaluation Sub Group, which has been established in the last year to scrutinise and hold to Board to account.</p> <p>In the last year OSAB have established the Monitoring and Evaluation sub group to review the effectiveness of the Board in achieving meaningful outcomes.</p>	

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Division(s): N/A

AUDIT & GOVERNANCE COMMITTEE - 19 NOVEMBER 2014

OPENNESS OF LOCAL BODIES REGULATIONS

Report by County Solicitor and Monitoring Officer

Introduction

1. The Government has introduced new Regulations¹ to ensure that members of public are able to report on meetings of local government bodies. This effectively allows the press and members of the public to film, photograph or record any Council meetings that are open to the public. The Regulations also require a written record to be kept, and reported, of certain decisions taken by officers. This report summarises the main changes.
2. A protocol has been produced by the Council setting out how the rights to film, record and commentate on meetings will be implemented. This *Protocol on Filming, Recording and Use of Social Media at Council Meetings* is attached as an annex.

Background

3. The new Regulations allow the public greater rights to report on open meetings of local government bodies by filming, photographing, audio recording or any other means including blogging and tweeting by social media. The regulations form part of the Local Audit and Accountability Act 2014 which was promoted by the Government as a means of increasing openness and transparency by helping bloggers and tweeters. The Regulations came into force in August 2014.
4. The Regulations allow anyone to attend a public meeting of the Council for the purposes of reporting, and allow anyone with the aim of reporting to use any communication method, including the internet, to publish post or otherwise share the results of their reporting activities, during or after the meeting.
5. The rights under the new Regulations build upon previous guidance² from the Government which gave these access rights only to meetings of the executive.

¹ The Openness of Local Government Bodies Regulations 2014

² *Your council's cabinet – going to its meetings, seeing how it works: a guide for local people*, Department of Communities and Local Government, June 2013

Scope of the requirements

Reporting and commentating on meetings

6. The Government's guidance to the public makes it clear that authorities are required to provide 'reasonable facilities' to enable reporting. This includes reasonable facilities for the press, but facilities should include space to hear and view the meeting, with seats and ideally a desk, as appropriate.
7. The changes in the Regulations do not affect the current circumstances in which a private meeting may be held or a person may be excluded (for example where exempt information would be disclosed).
8. Oxfordshire County council is committed to being open and transparent in the way it conducts its business. The Protocol confirms that the press and members of the public are therefore welcome to film, photograph or record any Council meetings that are open to the public. It also sets out that anyone intending to film or record a meeting is advised to contact the Communications Team for advice and guidance. This is because reasonable advance notice will enable practical arrangements to be made and any special requirements to be discussed.
9. In order to avoid any disruption to the business of the meeting, the Protocol also advises that the use of flash photography, intrusive lighting or large equipment will not be permitted unless the Chairman of the meeting agrees it in advance. Depending on the number of people wishing to report on proceedings it may not be possible to make the same facilities available for each attendee.
10. The Protocol also sets out the provisions for making other attendees aware that filming or recording might take place and that by attending the meeting; members of the public are consenting to the filming, recording and broadcasting of their image.
11. By virtue of the Openness of Local Government Bodies Regulations, these rights now apply to meetings of the Full Council, committees and sub-committees, including joint committees. The rights had already been given, in 2012, to meetings of the executive.³

Reporting Decisions taken under Delegated Authority

12. The 2014 Regulations also changed the requirements placed on local authorities with regard to reporting decisions taken under delegated authority by Officers. Prior to the new Regulations, the Council was only required to record and report on executive decisions taken by officers under delegated authority.

³ By virtue of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

13. The requirement has now been extended all decisions, whether made by an officer or on behalf of a committee/sub-committee or joint committee, in which the Council participates. This applies where the decision has been delegated to an officer, either under a specific delegation or under a general authorisation, and the effect of the decision is to:
- grant a permission or license;
 - affect the rights of an individual;
 - award a contract or incur expenditure which in either case materially affects the Council's financial position.
14. Under these provisions, background papers should be made available to the public as soon as reasonably practicable after the decision is made.

Legal and financial implications

15. The Openness of Local Government Bodies Regulations 2014 are statutory and the Council must comply with them. They make various amendments to existing legislation for public access to meetings and documents. The Protocol annexed to this report fulfils the requirements for enabling reporting and commentating on meetings. The requirements do not involve any financial implications.

RECOMMENDATION

16. **The Committee is RECOMMENDED to note the changes brought about by the Openness of Local Government Bodies Regulations 2014 and to endorse the Protocol attached as an Annex to this report.**

PETER CLARK

County Solicitor and Monitoring Officer

Contact Officer: Glenn Watson, Principal Governance Officer – tel: Ox. 815270

Background papers: *Your council's cabinet – going to its meetings, seeing how it works: a guide for local people*, Department of Communities and Local Government, June 2013; the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012; The Openness of Local Government Bodies Regulations 2014.

November 2014

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Protocol on Filming, Recording and use of Social Media at Council Meetings

General

Oxfordshire County council is committed to being open and transparent in the way it conducts its business. The press and members of the public are therefore welcome to film, photograph or record any Council meetings that are open to the public.

The Council will, so far as reasonably practicable, make available reasonable facilities for those wishing to attend at and report upon meetings, this will be from a static point in:

- the public seating area; or
- a designated area, specified by the Chairman of the meeting.

Anyone intending to film or record a meeting is advised to contact the Communications Team for advice and guidance. Reasonable advance notice will enable practical arrangements to be made and any special requirements to be discussed.

Flash photography, intrusive lighting or large equipment will not be permitted; unless it is agreed in advance with the Chairman and s/he is satisfied it can be accommodated without causing disruption to the proceedings. Requests to use equipment of this nature will be subject to the constraints of the meeting rooms.

Depending on the number of people wishing to attend and report it may not be possible to make the same facilities available for each attendee.

Protocol

The Chairman of the meeting or the relevant Cabinet Member will be informed of any intention to film and s/he will make an announcement to attendees before the start of the meeting informing attendees that the meeting may be filmed. Anyone who remains at the meeting after the Chairman's announcement will be deemed to have consented to the broadcast of their image.

A notice will also be posted on the door of the meeting room advising everyone who attends that the meeting may be filmed and that by attending the meeting; members of the public are consenting to the filming, recording and broadcasting of their image.

Filming or recording must be non-intrusive and the County Council's Constitution Part 3.1 Rule 21 provides for the removal of a member of the

public from a meeting should that person, having been warned, continue to interrupt proceedings. The Chairman of a meeting or an individual Cabinet Member may also call any part of the meeting room to be cleared in the event of a general disturbance.

The Chairman of the meeting, or any such Council representative as designated by the Chairman, has the capacity to stop a meeting and take appropriate action if any person contravenes this protocol or is deemed to be filming or recording in a disruptive manner.

In allowing recording, filming or photography to take place, the Council requires those participating not to edit the recordings, film or photographs in a way that could lead to misinterpretation of the proceedings. This includes refraining from editing an image or views expressed in a way that may ridicule, or show a lack of respect towards those being photographed, filmed or recorded. Doing so may lead to restrictions on access to record, film or photograph future meetings. Any restrictions would be decided by the Monitoring Officer in consultation with the Chairman of the Council or Chairman of the meeting.

Recording and reporting the council's meetings is subject to the law and it is the responsibility of those doing the recording and reporting to ensure compliance. This will include the Human Rights Act, the Data Protection Act and the laws of libel and defamation.

Any person or organisation choosing to film, record, broadcast or otherwise report upon any meeting of the Council, its Cabinet or committees is responsible for any claims or other liability resulting from them so doing and by choosing to report proceedings they accept that they are required to indemnify the Council, its Members and officers in relation to any such claims or liabilities.

Elected Members

Members are requested not to record, photograph or film other Members, staff or members of the public during a meeting. The full attention of Members who are part of the meeting is required at all times.

If a member wishes to record or film a meeting they are requested to withdraw from the meeting and locate themselves either in the public section or the designated area (see paragraph 2 above).

No Member in attendance, whether a decision-maker or observer, is permitted to use social media or mobile devices for filming or recording during a private session (when the press and the public are excluded), or to disclose in any way the content of the items under discussion.

Responsible Officer: County Solicitor/Monitoring Officer

Date: November 2014

Review Date: November 2016