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

Notice of a Meeting of the Audit & Governance Committee

Wednesday, 7 March 2018 at 2.00 pm

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

Peter G. Clark Chief Executive

February 2018

G Clark

Committee Officers: Colm Ó Caomhánaigh, Tel 07393 001096;

E-mail: colm.ocaomhanaigh@oxfordshire.gov.uk

Membership

Chairman - Councillor Nick Carter Deputy Chairman - Councillor Tony Ilott

Councillors

Paul Buckley Ian Corkin Helen Evans

Charles Mathew D. McIlveen Les Sibley

Roz Smith

Co-optee

Dr Geoff Jones

Notes:

- There will be training session on risk management in Room 2 at 1pm before the main meeting on Wednesday 7 March 2018.
- There will be a pre-meeting briefing at County Hall on 2 March 2018 at 9.30am for the Chairman, Deputy Chairman and Opposition Group Spokesman.
- Date of next meeting: 25 April 2018

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 reelection or re-appointment), or
- (b) provide false or misleading information on registration, or
- (c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

Whose Interests must be included?

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

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

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

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

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

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

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

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

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

List of Disclosable Pecuniary Interests:

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

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

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



AGENDA

- 1. Apologies for Absence and Temporary Appointments
- 2. Declaration of Interests see guidance note
- 3. Minutes

To approve the minutes of the meeting held on 10 January 2018 and to receive information arising from them.

- 4. Petitions and Public Address
- **5. External Auditors** (Pages 1 70)
 - 2.10pm

A representative from the external auditors, Ernst & Young, will attend to present the following items:

- OCC Audit Planning Report 2017/18
- Oxfordshire Pension Fund Audit Planning Report 2017/18
- 6. Review of Local Government Ethical Standards: Stakeholder Consultation (Pages 71 78)

2.30pm

Report by the Director of Law and Governance

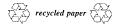
The Committee on Standards in Public Life is undertaking a review of Local Government Ethical Standards and is consulting with stakeholders.

The Consultation opened on 29 January 2018 and closes on 18 May 2018. The Consultation asks a number of questions in relation to Ethical Governance and anyone with an interest is asked to make a submission.

Members of the Audit & Governance Committee may wish to respond. This report is simply to bring the Consultation to the attention of Members and to coordinate any responses.

The Committee is RECOMMENDED to consider the Consultation from the Committee on Standards in Public Life (Annex 1) and to:

- a) determine whether, and if so how, to respond as a Committee;
- b) determine whether, additionally, to encourage members and co-opted



members to respond individually; and

c) if appropriate, ask the Monitoring Officer to co-ordinate the submission of responses before the closing date of the consultation.

7. Scale of Election Fees and Expenditure 2018/19 (Pages 79 - 86)

2.50pm

Report by the Director of Law and Governance

Each year the Council needs to set a scale of election fees and expenditure for the holding of elections of county councillors. This Committee is responsible for approving the 'scale of fees'. The Committee last did this in December 2016, approving a scale of fees to apply throughout the year 2017/18 and in particular for the May 2017 County Elections.

A scale of fees for the financial year 2018/19 now needs to be agreed. As in previous years, the review has been undertaken in consultation with the City and District Councils in Oxfordshire who assist the Council in the running of County Council elections. This year the scale of fees has been reviewed in the light of the experience of the County Election.

The proposed scale of fees is included as an Annex to this report. Committee is requested to approve the proposed Scale of Fees to apply from the start of the financial year 2018/19.

The Committee is RECOMMENDED to approve the Scale of Expenditure for the financial year 2018/19, as shown in Annex A to this report, for the election of County Councillors and any other local referendums.

8. Audit Working Group Report (Pages 87 - 90)

3.10pm

This report presents the matters considered by the Audit Working Group Meeting of 7 February 2018.

The Committee is RECOMMENDED to note the report.

9. Work Programme (Pages 91 - 92)

3.20pm

To review the Committee's Work Programme.

10. "Fit for the Future" Transformation Programme Update (Pages 93 - 142)

3.30pm

Report by the Assistant Chief Executive.

The next stage of the county council's Fit for the Future transformation programme is now underway. The programme will ensure that in the future the council will be sustainable, resilient and can achieve better outcomes for our residents as well as addressing our financial challenges.

The work that was carried out last summer and developed over the autumn showed how staff, right across the council, were collectively spending their time. It demonstrated that relatively low proportions of effort were focused on front line service delivery and that our support processes and systems need improving.

In response we have now started an intensive programme of work to address these issues and design in detail how we will work in the future. With the help of PwC, we are focusing on investment in new ways of working and better use of digital technology to reduce costs further and improve customer service.

This will ensure we both meet residents' needs and can work more effectively and efficiently internally with the intention of achieving savings of between £33m-£58m per year, enabling political choices to be made about investment in services.

The Committee is RECOMMENDED to:

- a) note the content of this report;
- b) comment on any issues that are pertinent to the remit of the Committee for example on governance, risk and delivery of benefits;
- c) provide a steer on how frequently they would like to be updated on this work and whether they would wish to be further involved in shaping the approach taken to governance in the design of the new operating model.

Close of meeting

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







Members of the Audit and Governance Committee

March 2018

Oxfordshire County Council County Hall New Road Oxford OX1 1ND

Dear Audit and Governance Committee Members

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Governance Committee with a basis to review our proposed audit approach and scope for the 2017/18 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit and Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 8 March 2018 as well as understand whether there are other matters which you consider may influence our audit.

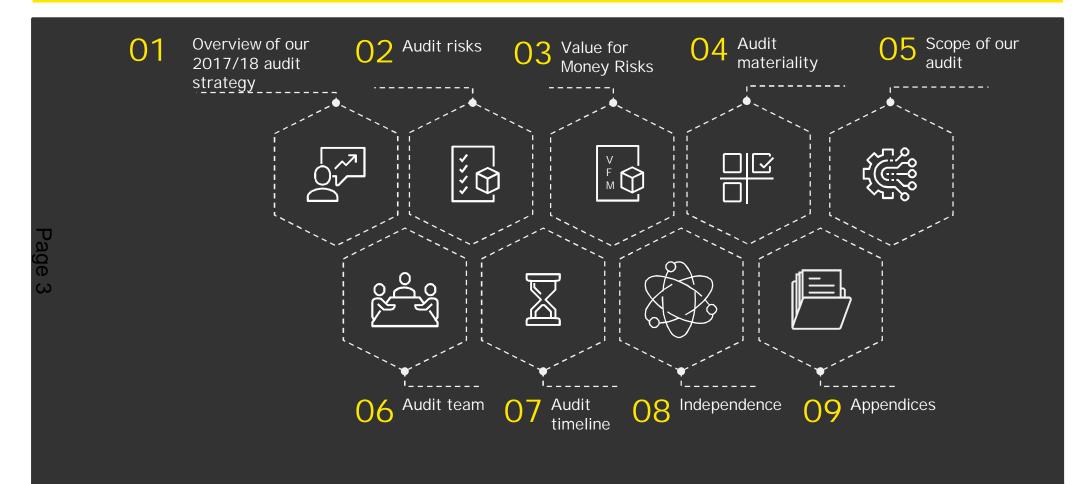
Yours faithfully

Paul King

For and on behalf of Ernst & Young LLP

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Governance Committee and management of Oxfordshire County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of Oxfordshire County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of Oxfordshire County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





Overview of our 2017/18 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Risk / area of focus	Risk identified	Change from PY	Details
Risk of management override	Fraud risk	This risk was also identified in the prior year.	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Pension Liability Valuation Page	Inherent Risk	No change in risk or focus.	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme which it administers. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Valuation of Land and Buildings	Inherent Risk	No change in risk or focus.	The fair value of Property, Plant and Equipment (PPE), including land and buildings, represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
Service Concessions	Inherent Risk	No change in risk or focus.	As part of our audit in 2016/17 we commissioned a detailed review and testing of the accounting models and related disclosures in the financial statements for Service Concessions by an EY expert. There was a non material difference of opinion in the application of the accounting treatment between the Council and our expert.
Earlier deadline for production of the financial statements	Otherrisk	Increase in risk or focus	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July. These changes provide risks for both the preparers and the auditors of the financial statements.

Overview of our 2017/18 audit strategy

Materiality

Planning materiality

£19.0m

Materiality has been set at £19.0 million, which represents 2% of the prior year gross revenue expenditure. This comprises of gross expenditure on the provision of services, levies expenditure and interest payable. In the prior year we applied a threshold of 1%, meaning that materiality was set as £10.3 million. Although the Council is a Major Local Audit (MLA) based on its size, we have considered the overall risk profile and public interest in comparison to other councils, and do not consider there to be any heightened risks that would mean we need to adopt a lower level of materiality. As such we have increased planning materiality to 2%.

Performance materiality

£14.3m

Performance materiality has been set at £14.3 million, which represents 75% of materiality.

Audit differences £0.95m We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement and cash flow statement) greater than £0.9 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Committee.

Overview of our 2017/18 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- § Our audit opinion on whether the financial statements of Oxfordshire County Council give a true and fair view of the financial position as at 31 March 2018 and of the income and expenditure for the year then ended; and
- § Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

hen planning the audit we take into account several key inputs:

Strategic, operational and financial risks relevant to the financial statements;

Support Developments in financial reporting and auditing standards;

- § The quality of systems and processes;
- § Changes in the business and regulatory environment; and,
- § Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.



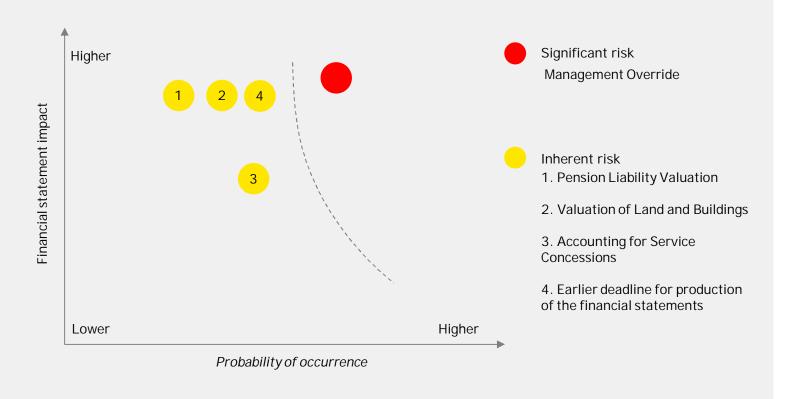
Risk assessment

Risk assessment

We have obtained an understanding of your strategy, reviewed your principal risks as identified in your 2016/17 Annual Report and Accounts and combined it with our understanding of the sector to identify key risks that impact our audit.

The following 'dashboard' summarises the significant matters that are relevant for planning our year-end audit:





Our response to significant risks

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Management Override of Control

∑inancial statement impact

Misstatements that occur in relation to the risk of fraud by management override could affect the income and expenditure accounts, alongside significant balance sheet accounts where key estimates are processed.

What is the risk?

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

We will:

- ▶ test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements:
- ▶ review accounting estimates for evidence of management bias, including estimates with a higher level of inherent risk relating to PPE, the pension liability and PFI;
- ► consider the completeness of the minimum revenue provision (MRP) charge; and
- evaluate the business rationale for significant unusual transactions.

We will utilise our data analytics capabilities to assist with our work, including carrying out testing on the Income and Expenditure accounts, and journal entry testing. We will assess journal entries for evidence of management bias and evaluate for business rationale.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Oxfordshire County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the uncil's balance sheet. At 31 March 2017 this totalled \$1,033.5 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE), including land and buildings, represents significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

In 2016/17, EY Estates team review of the Council's property valuations we found that the Council's valuation of the Oxfordshire Museum was outside the EY Estates team acceptable range.

What will we do?

We will:

- Liaise with the auditors of Oxfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Oxfordshire County Council.
- Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions
 they have used by relying on the work of PWC Consulting Actuaries commissioned by the
 National Audit Office for all Local Government sector auditors, and considering any relevant
 reviews by the EY actuarial team; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

We will:

- Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre) and challenge the key assumptions used by the valuer;
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE;
- Review assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated; and
- Test accounting entries have been correctly processed in the financial statements.
- Re-consider the Council's valuation of the Oxfordshire Museum

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Other areas of audit focus (Contd)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Accounting for Service Concessions

As part of our audit in 2016/17 we commissioned a detailed review and testing of the accounting models and related disclosures in the financial statements for Service Concessions by an EY expert. There was a deference of opinion in the application of the counting treatment between the Council and our appert.

Mis resulted in an unadjusted audit difference of £936k in 2016/17.

What will we do?

We have already engaged with management and our EY expert about the treatment of service concessions. We have reached an agreed position as a result of this engagement. We will review the accounting entries and disclosures arising from this agreement in the 2017/18 accounts, with a focus on any significant changes since 2016/17.

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements.

The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include slippage in delivering data for analytics work in format and to time required, late the orking papers and internal quality assurance arrangements.

your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- good quality draft financial statements and supporting working papers by the agreed deadline;
- appropriate Council staff to be available throughout the agreed audit period; and
- complete and prompt responses to audit questions.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

What will we do?

We will:

- Work with the Council to engage early to facilitate early substantive testing where appropriate.
- Provide an early review on the Council's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.
- Work with the Council to implement EY Client Portal, this will:
 - Streamline our audit requests through a reduction of emails and improved means of communication;
 - Provide on -demand visibility into the status of audit requests and the overall audit status;
 - Reduce risk of duplicate requests; and
 - Provide better security of sensitive data.
- Agree the team and timing of each element of our work with you.
- Agree the supporting working papers that we require to complete our audit.



Value for Money

Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions:
- Deploy resources in a sustainable manner; and

Work with partners and other third parties.

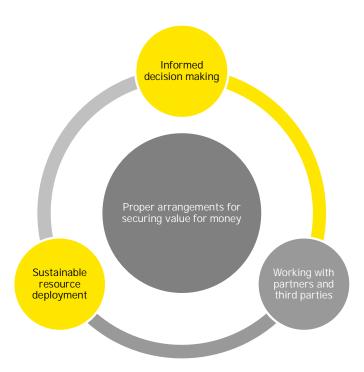
Considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework local government to ensure that our assessment is made against a framework that you are already required To have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of a significant risk in respect of the Council's contracts with Carillion LGS Limited as set out on the following page which we view as relevant to our value for money conclusion.





Value for Money Risks

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What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
In 2012, Oxfordshire County Council entered into a contract with Carillion LGS Ltd to provide building works, property services, maintenance of council buildings, school meals and cleaning. In December 2017, the Council reached an agreement with Carillion to terminate this contract early and to cease receiving all services except for maintenance, school meals and cleaning. The ending of this contract was set for June 2018. In January 2018, it was announced that Carillion were being put to liquidation. As a result the original agreement to end the Council agreement to end the Council was accelerated to February 2018. In addition all services we now been brought in house, including those that were planned to remain with Carillion. There are several areas of the Council's arrangements to consider: The agreement made in December between Carillion and the Council. The provision of services in the transitional period between bringing services from Carillion to the Council. The arrangements for determination of residual issues following Carillion being put into liquidation.	Working with partners and other third parties	 Reviewing the agreement made in December 2017 between the Council and Carillion. Assessing the Council's arrangements to provide for the transition of services from Carillion to ensure continuity of service provision. Review of the work performed by the Council to reach a 'steady state' of service provision in these new areas. Review of the agreements in place and the arrangements between the Council and Carillion (or the liquidator) for areas which were still with Carillion at the time of their liquidation, such as building defects resolution.



Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £19.0 million. This represents 2% of the Council's prior year gross expenditure on provision of services. In the prior year we applied a threshold of 1%, meaning that materiality was set as £10.3 million. Although the Council is a Major Local Audit (MLA), we have considered the overall risk profile and public interest in comparison to other councils, and do not consider there to be any heightened risks that would mean we need to adopt a lower level of materiality. As such we have increased planning materiality to 2%. We have provided supplemental information about audit materiality in Appendix D.



Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £14.3m which represents 75% of planning materiality.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the, Audit and Governance Committee, or are important from a qualitative perspective.

We request that the Audit and Governnance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

- He also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

Addressing the risk of fraud and error;

- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO [delete if not applicable]
- 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- · Substantive tests of detail of transactions and amounts.

For 2017/18, we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

Thelp identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and

Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for higher overheads to management and the Audit and Governance Committee.

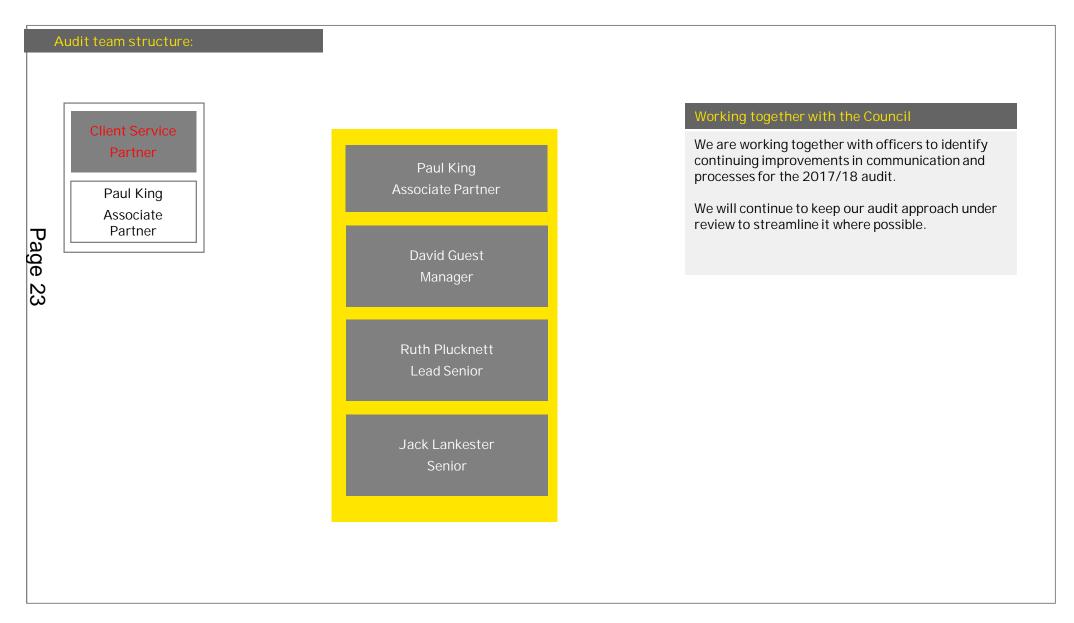
Internal audit:

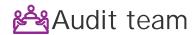
We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements, the Narrative Statement and the Annual Governance Statement.





Audit team





Audit team Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where specialists provide input for the current year audit are:

Area	Specialists	
Pensions disclosure	EY Actuaries pwc – consulting actuaries for the NAO Hymans Robertson – Actuary to Oxfordshire Pension Fund	
Valuers employed by the Council for valuation of its PPE portfolio, EY Estates Team.		

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.





X Audit timeline

Timetable of communication and deliverables

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18.

From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	October		
Walkthrough of key systems and	November		
Walkthrough of key systems and processes	December		
	January		
Interim audit testing	February		
	March	Audit and Governance Committee	Audit Planning Report Interim audit update
	April		
	May		
Year end audit	June		
Year end audit completion procedures	July	Audit and Governance Committee	Audit Results Report Audit opinions and completion certificates
	Autumn	Audit and Governance Committee	Annual Audit Letter





Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;

The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;

The overall assessment of threats and safeguards; Information about the general policies and process within EY to maintain objectivity and independence.

Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- Details of non-audit services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Written confirmation that all covered persons are independent;
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- Details of any contingent fee arrangements for non-audit services provided by us or our network firms;
 and
- An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements , the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.



Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non –audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Helen Thompson, your audit engagement partner, and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

when of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with purpolicy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

R the time of writing, we have not undertaken any non-audit work, therefore no additional safeguards are required.

Celf interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.



Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

Transparency Report 2017

Inst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

tails of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2017 and can be found here:

http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2017





Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£	£	£
Total Fee - Code work	109,958	109,958	109,958*
Oner Control	0	0	0
Total audit	109,958	109,958	109,958*

All fees exclude VAT

The agreed fee presented is based on the following assumptions:

- ► Officers meeting the agreed timetable of deliverables;
- ► Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ► The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

^{*} The 2016/17 final fee is subject to our consideration of the notice of objection received in respect of the Pension Fund accounts there will be an additional fee for this work



Regulatory update

In previous reports to the Audit and Governance Committee, we highlighted the issue of regulatory developments. The following table summarises progress on implementation:

Earlier deadline for production an	d audit of the financial statements from 2017/18
Proposed effective date	Effective for annual periods beginning on or after 1 April 2017.
Details	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.
pact on Oxfordshire County	These changes provide challenges for both the preparers and the auditors of the financial statements.
[©] uncil ω	We held a faster close workshop for clients in November 2017 to facilitate early discussion and sharing of ideas and good practice.
&	We are now working with the Council on ideas coming from the workshop, for example:
	Streamlining the Statement of Accounts removing all non-material disclosure notes;
	 Bringing forward the commissioning and production of key externally provided information such as IAS 19 pension information, asset valuations;
	Providing training to departmental finance staff regarding the requirements and implications of earlier closedown;
	 Re-ordering tasks from year-end to monthly/quarterly timing, reducing year-end pressure; Establishing and agreeing working materiality amounts with the auditors.



Required communications with the Audit and Governance Committee

We have detailed the comm	munications that we must provide to the Audit and Governance Committee.	Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Punning and audit Eproach O 3	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report
Significant findings from the audit	 Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process 	Audit results report



Appendix C

Required communications with the Audit and Governance Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	 Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: Whether the events or conditions constitute a material uncertainty Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements The adequacy of related disclosures in the financial statements 	Audit results report
Substatements (C) (D) (C) (C) (C) (C) (C) (C) (C) (C) (C) (C	 Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Corrected misstatements that are significant Material misstatements corrected by management 	Audit results report
Fraud	 Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity Any fraud that we have identified or information we have obtained that indicates that a fraud may exist A discussion of any other matters related to fraud 	Audit results report
Related parties	 Significant matters arising during the audit in connection with the entity's related parties including, when applicable: Non-disclosure by management Inappropriate authorisation and approval of transactions Disagreement over disclosures Non-compliance with laws and regulations Difficulty in identifying the party that ultimately controls the entity 	Audit results report



Appendix C

Required communications with the Audit and Governance Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Independence Page	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: The principal threats Safeguards adopted and their effectiveness An overall assessment of threats and safeguards Information about the general policies and process within the firm to maintain objectivity and independence	Audit Planning Report and Audit Results Report
External confirmations	 Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report
Consideration of laws and regulations	 Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Committee may be aware of 	Audit results report
Internal controls	Significant deficiencies in internal controls identified during the audit	Audit results report



Appendix C

Required communications with the Audit and Governance Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	 Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	Audit results report
Φee Reporting Φ	 Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report Audit results report



Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Councils internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit and Governance Committee reporting appropriately addresses matters communicated by us to the Audit and Governance Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

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Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the cumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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Private and Confidential 7 March 2018

Oxfordshire Council

Oxfordshire County Council County Hall New Road Oxford OX1 1ND

Dear Audit and Governance Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor of the Oxfordshire Pension Fund. Its purpose is to provide the Audit and Governance Committee with a basis to review our proposed audit approach and scope for the 2017/18 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving an effective audit for the Pension Fund, and outlines our planned audit strategy in response to them.

This report is intended solely for the information and use of the Audit and Governance Committee and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 7 March 2018 and to understand whether there are other matters which you consider may influence our audit.

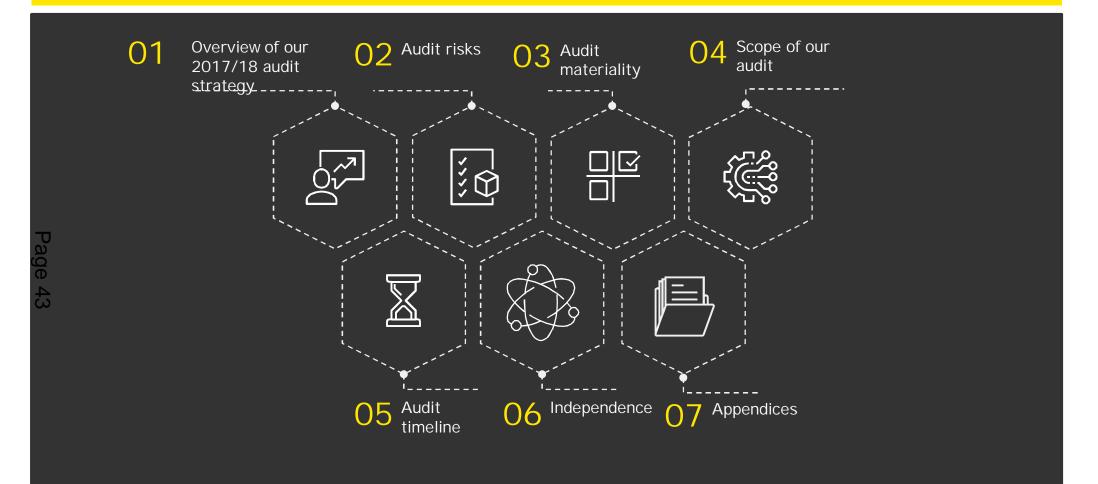
Yours faithfully

Paul King

Associate Partner

For and on behalf of Ernst & Young LLP

Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements with which auditors must comply, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

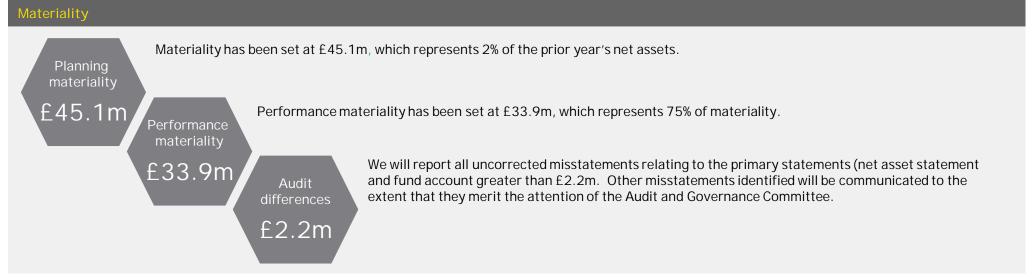
This report is made solely to the Audit and Governance Committee and management of Oxfordshire Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we can state to the Audit and Governance Committee, and management of Oxfordshire Pension Fund, those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of Oxfordshire Pension Fund for this report or for the opinions we have formed. It should not be provided to any third party without our prior written consent.



Overview of our 2017/18 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus			
Risk / area of focus	Risk identified	Change from PY	Details
Management override	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Change in custodian	Inherent risk	Increase in risk or focus	In 2017/18 Oxfordshire Pension Fund changed its custodian from BNP Paribas to State Street. There is a risk that, during transition, the data was not transferred over correctly, i.e. the values transferred are incorrect or the list of the assets is incomplete.



Overview of our 2017/18 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

§ Our audit opinion on whether the financial statements of Oxfordshire Pension Fund give a true and fair view of the financial position as at 31 March 2018 and of the income and expenditure for the year then ended.

In 2017/18 our audit of the Pension Fund financial statements will also include additional work over the transition of the custodian from BNP Paribas to State Street in November 2017.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

g

Strategic, operational and financial risks relevant to the financial statements;

Developments in financial reporting and auditing standards;

The quality of systems and processes;

Changes in the business and regulatory environment; and,

Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Pension Fund.

In addition to the above we also perform procedures on behalf of the auditors of admitted bodies in relation to the IAS 19 reports. Our work specifically focuses on gaining assurance that the data submitted to the actuary agrees to the Pension Fund's systems.

This tried and tested approach – we have been performing these procedures since 2012 – minimises disruption to the Pension Fund as only one set of auditors will perform procedures on the data.

Audit team changes

There is only one key change to the team.



Associate Partner

Paul joined EY in October 2012 as one of a group of people from the former Audit Commission's Audit Practice, specialising in the statutory audit of local public services bodies in the UK - primarily local councils and NHS bodies in England. He is based in the Reading office with a client portfolio spanning Sussex, Hampshire, Oxfordshire, the Isle of Wight and London.

Paul is replacing Melissa Hargreaves as the Audit Engagement Partner for Oxfordshire Pension Fund.



Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Management override

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What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What will we do?

- Identifying fraud risks during the planning stages.
- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, not classified as significant risks, but still important when considering the risks of material misstatement to the financial statements and disclosures and therefore key audit matters which we will include in our audit report.

What is the risk/area of focus?	What will we do?
<u>Change of custodian</u>	To address this risk we will:
There is a risk that, during transition, the data was not transferred over correctly, i.e. the values transferred are incorrect or the list of the assets is incomplete. Page	 Obtain third party confirmation directly from both custodians of the assets transferred. Reconcile the closing position with BNP Paribas to State Street's opening position. Review the valuation of each individual asset and investigate any differences. Review the procedures the Pension Fund had in place over the transition. We will consult with our EY internal specialists from EY FAAS on year-end investment valuations as part of our work over investment valuations.

Audit risks

Other areas of audit focus

What is the risk/area of focus?

Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements.

The Pension Fund now has less time to prepare the financial statements and supporting working papers. Risks to the Council include completing the IAS 19 assurance work we perform for auditors of admitted bodies.

Us your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. **P**Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could content potentially put delivery of others at risk.

o mitigate this risk we will require:

good quality draft financial statements and supporting working papers by the agreed deadline;

- appropriate Council staff to be available throughout the agreed audit period; and
- · complete and prompt responses to audit questions.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

What will we do? We will:

- Work with the Pension Fund to engage early to facilitate early substantive testing where appropriate.
- Provide an early review on the Pension Fund's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.
- Work with the Pension Fund to implement EY Client Portal, this will:
 - Streamline our audit requests through a reduction of emails and improved means of communication;
 - Provide on -demand visibility into the status of audit requests and the overall audit status;
 - · Reduce risk of duplicate requests; and
 - · Provide better security of sensitive data.
- Agree the team and timing of each element of our work with you.
- Agree the supporting working papers that we require to complete our audit



₩ Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £45.1m. This represents 2% of the Pension Fund's prior year net assets. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix D.



Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £33.9m which represents 75% of planning materiality.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the fund account and net asset statement.

Other uncorrected misstatements, such as reclassifications and misstatements in the disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Governance Committee, or are important from a qualitative perspective.

We request that the Audit and Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Pension Fund's financial statements to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

- We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

Addressing the risk of fraud and error;

- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- · Identifying and understanding the key processes and internal controls; and
- · Substantive tests of detail of transactions and amounts.

For 2017/18 we plan to follow a substantive approach to the audit, as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

Thelp identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and

Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for provement, to management and the Audit and Governance Committee.

Internal audit:

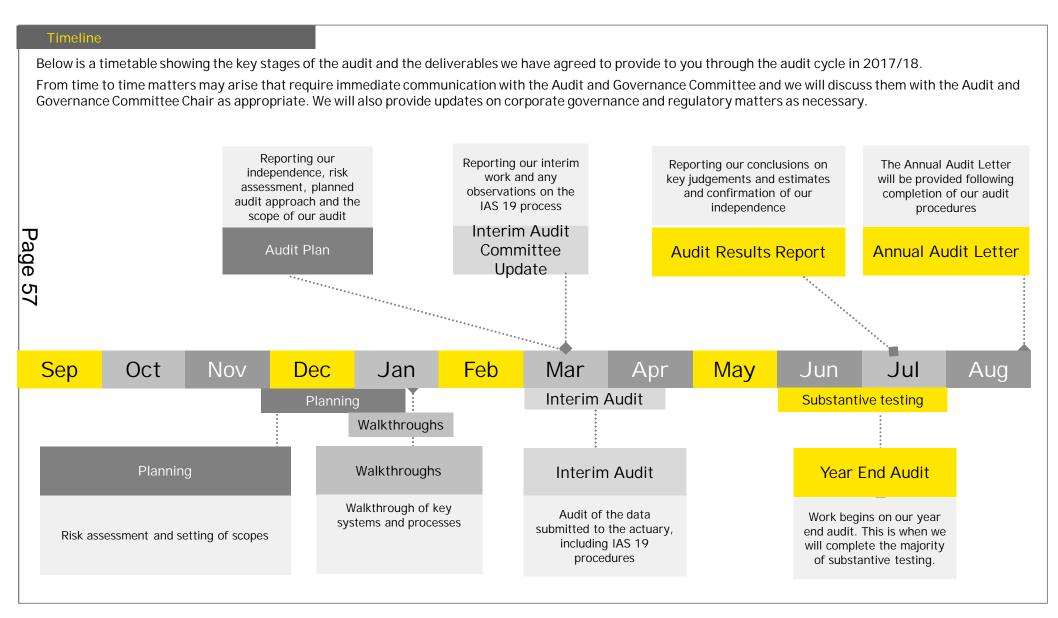
We will meet regularly with the Chief Internal Auditor, and review internal audit plans and the results of the team's work. We will reflect any findings in our detailed audit plan, where they raise issues that could have an impact on the financial statements.





Audit timeline

Timetable of communication and deliverables







Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ➤ Any principal threats to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- The overall assessment of threats and safeguards; Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and your audit team, we must provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to consider relationships with the Council, its directors and senior management, its affiliates, and its connected parties and any threats to integrity or objectivity, including those that could compromise independence. We are also required to disclose any safeguards that we have, and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- Details of non-audit services provided and the fees charged for them;
- Written confirmation that all team members are independent;
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- Details of any contingent fee arrangements for non-audit services provided by us or our network firms;
 and
- An opportunity to discuss auditor independence issues.

During the audit, we must communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of any necessary safeguards, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged for the provision of services during the reporting period are disclosed.



Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non – audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Paul King, your audit engagement partner, and the audit engagement team have not been compromised.

Self-interest threats

elf-interest threat arises when EY has financial or other interests in the Pension Fund. Examples include where we receive significant fees in respect of non-audit envices; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, no non-audit services have been undertaken. No additional safeguards are required.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self-review threats at the date of this report.



Relationships, services and related threats and safeguards

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Pension Fund. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no such threats at the date of this report.

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Other communications

EY Transparency Report 2017

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2017 and can be found here:

http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-20167

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Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£	£	£
Total Fee - Code work	24,108	24,108	24,108
Fgs for IAS19 work	5,500		5,500
R al fees	29,608	24,108	29,608

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All fees exclude VAT

NB The Authority has agreed the IAS19 fee for 2016/17 (which is where information is provided to admitted bodies who request it as part of the process for their final accounts work). This amount was not originally included in the scale fee as it was not part of the PSAA regime for auditing the Pension Fund. The work required will be the same in 2017/18.

A formal objection was also made by a local elector to the financial statements of the Pension Fund for 2016/17. We are in the process of deciding this objection: the fee resulting from this work has therefore not yet been finalised.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ► Our accounts opinion being unqualified;
- ► Appropriate quality of documentation is provided by the Pension Fund; and
- ▶ The Pension Fund has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Pension Fund in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.



Required communications with the Audit and Governance Committee

We have detailed the communications that we must provide to the Audit and Governance Committee. Our Reporting to you Required communications What is reported? When and where Confirmation by the Audit and Governance Committee of acceptance of terms of Terms of engagement The statement of responsibilities serves as the engagement as written in the engagement letter signed by both parties. formal terms of engagement between the PSAA's appointed auditors and audited bodies. Our responsibilities Reminder of our responsibilities as set out in the engagement letter The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. Communication of the planned scope and timing of the audit, any limitations and the Planning and audit Audit planning report abroach G G O significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team Significant findings from Our view of the significant qualitative aspects of accounting practices including Audit results report accounting policies, accounting estimates and financial statement disclosures the audit • Any significant difficulties encountered during the audit Any significant matters arising from the audit which were discussed with management Written representations we have requested Expected modifications to the audit report Any other matters significant to the oversight of the financial reporting process



Required communications with the Audit and Governance Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	 Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: Whether the events or conditions constitute a material uncertainty Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements The adequacy of related disclosures in the financial statements 	Audit results report
(M) (M) (M) (M) (M) (M) (M) (M) (M) (M)	 Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Corrected misstatements that are significant Material misstatements corrected by management 	Audit results report
Fraud	 Asking the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Pension Fund Any fraud identified or information obtained that indicates a fraud may exist A discussion of any other matters related to fraud 	Audit results report
Related parties	 Significant matters arising during the audit in connection with the Fund's related parties including, when applicable: Non-disclosure by management Inappropriate authorisation and approval of transactions Disagreement over disclosures Non-compliance with laws and regulations 	Audit results report

Our Reporting to you



Required communications with the Audit and Governance Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Independence	Communication of all significant facts and matters that bear on the objectivity and independence of EY and all audit team members	Audit planning report and audit results report
	Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:	
	Any principal threats	
	Safeguards adopted and their effectiveness	
π	An overall assessment of threats and safeguards	
Pag	 Information about the general policies and process within the firm to maintain objectivity and independence 	
External confirmations	Management's refusal for us to request confirmations	Audit results report
67	Inability to obtain relevant and reliable audit evidence from other procedures	
Consideration of laws and regulations	 Audit findings regarding non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off Asking the Audit and Governance Committee about possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that they may know about 	Audit results report
Internal controls	Significant deficiencies in internal controls identified during the audit	Management letter/audit results report
Representations	Written representations from management and/or those charged with governance	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	 Key audit matters which we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	Audit results report
Fee Reporting	 Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report and audit results report

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Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

• Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

• Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Fund's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the
 Pension Fund to express an opinion on the consolidated financial statements. Reading other information contained in the financial
 statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit and Governance
 Committee reporting appropriately addresses matters communicated by us to the Audit and Governance Committee and reporting
 whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

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Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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Division(s): N/A

AUDIT AND GOVERNANCE COMMITTEE - 7 MARCH 2018

REVIEW OF LOCAL GOVERNMENT ETHICAL STANDARDS: STAKEHOLDER CONSULTATION

Report by Director of Law and Governance

Introduction

- 1. The Committee on Standards in Public Life is undertaking a review of Local Government Ethical Standards and is consulting with stakeholders.
- 2. The Consultation opened on 29 January 2018 and closes on 18 May 2018. The Consultation asks a number of questions in relation to Ethical Governance and anyone with an interest is asked to make a submission.
- 3. Members of the Audit & Governance Committee may wish to respond. This report is simply to bring the Consultation to the attention of Members and to coordinate any responses.

The Consultation

- 4. Annexed to this report is the Terms of Reference and Consultation questions, together with information with regard to how Members may wish to respond to the Consultation.
- 5. Members are perfectly at liberty to respond directly but officers can coordinate a response from the Audit & Governance Committee and indeed any Members if considered appropriate.
- 6. There are two matters which it is particularly worthwhile to bring to the attention of Councillors.
 - Firstly, the Committee on Standards in Public Life is considering the
 concern that applies nationally as to the availability of sanctions for
 Councillor misconduct and whether the relatively low use of the complaint
 regime across the country may reflect a dissatisfaction with the sanctions
 that can be imposed
 - Secondly, the other topical issue is intimidation of local Councillors which
 was a subject of debate recently at Full Council following a motion.
 Members of the Committee may have views in relation to those matters
 which can be coordinated.

The Standards Regime - generally and in Oxfordshire

- 7. It may assist the Committee to be reminded in brief about the ethical standards regime generally and how this currently applies in Oxfordshire.
- 8. The Localism Act 2011 revised the ethical standards regime for local government in England. Authorities have a general duty to promote and maintain high standards of ethical conduct among its members. Each authority must also adopt a Code of Conduct and this must accord with the seven principles set out in the Act. It must also include whatever the authority sees fit in the way of securing the registration of pecuniary and non-pecuniary interests. In Oxfordshire, the County and City/District councils have worked together to adopt a common Members' Code of Conduct, to avoid unnecessary complications for the public or indeed members. The code is also offered as a model to parish and town councils in the county.
- 9. Importantly, authorities must also adopt arrangements to enable allegations to be made and investigated of breaches by councillors and co-opted members of the adopted Code of Conduct. They must also appoint one or more 'independent person' whose views are to be sought and taken into account before an authority takes any decision about an allegation.
- 10. The County Council therefore publishes and operates 'arrangements' for considering complaints against elected members and as part of these, the views of a duly appointed independent person are sought and taken into account.

Sanctions for breaches of the Code of Conduct

- 11. The Localism Act 2011 makes it a criminal offence not to register a disclosable pecuniary interest. Other than this, there are no other prescribed sanctions for breaches of an authority's code and an authority does not have the power to suspend a member from the council (as opposed to recommending suspension or removal from a committee or Cabinet) nor to disqualify him or her as an elected councillor. Nor, for instance, is there any statutory basis for an authority to withdraw, or to reduce, a member's allowances without their consent.
- 12. The sanctions currently available to authorities relate largely to training, membership of committees, and adverse publicity. This Council's sanctions, embedded in the published "Arrangements for dealing with complaints against members", and available to a Members' Advisory Panel duly convened by the Monitoring Officer, are as follows:
 - Censure or reprimand the member;
 - Publish its findings in respect of the Member's conduct;
 - Report its findings to Council for information;
 - Recommend to the Member's Group Leader (if applicable) that he/she be removed from any or all Committees or Sub-Committees of the Council;
 - Recommend to the Leader of the Council that the Member be removed from the Cabinet, or removed from particular Portfolio responsibilities;
 - Recommend to Council that the member be replaced as Leader of the Council:
 - Instruct the Monitoring Officer to offer training for the Member;

- Withdraw facilities provided to the Member by the Council, such as a computer, website and/or email and Internet access, or
- Exclude the Member from the Council's Offices or other premises, with the exception of meeting rooms as necessary for attending Council, Committee and Sub-Committee meetings.

Conclusion

13. The statutory duty on this authority to promote and maintain high standards of conduct among its councillors and co-opted members has been delegated to this Committee as part of its terms of reference. The Committee is therefore asked if it wishes to respond to the consultation on ethical standards in local government issued by the Committee on Standards in Public Life; and/or whether it wishes to encourage councillors and co-opted members to do so individually. The Monitoring Officer is willing to co-ordinate the response of this Committee and/or of its members and of indeed of councillors and co-opted members of this Council generally.

RECOMMENDATION

- 14. The Committee is RECOMMENDED to consider the Consultation from the Committee on Standards in Public Life (Annex 1) and to:
 - a) determine whether, and if so how, to respond as a Committee;
 - b) determine whether, additionally, to encourage members and coopted members to respond individually; and
 - c) if appropriate, ask the Monitoring Officer to co-ordinate the submission of responses before the closing date of the consultation.

Nick Graham
Director of Law and Governance

Background papers: Annex 1

Contact Officer: Glenn Watson

Principal Governance Officer

Telephone: 07776 997946

February 2018



Review of Local Government Ethical Standards: Stakeholder Consultation

The Committee on Standards in Public Life is undertaking a review of local government ethical standards.

Robust standards arrangements are needed to safeguard local democracy, maintain high standards of conduct, and to protect ethical practice in local government.

As part of this review, the Committee is holding a public stakeholder consultation. The consultation is open from 12:00 on Monday 29 January 2018 and closes at 17:00 on Friday 18 May 2018.

Terms of reference

The terms of reference for the review are to:

- 1. Examine the structures, processes and practices in local government in England for:
 - a. Maintaining codes of conduct for local councillors;
 - b. Investigating alleged breaches fairly and with due process;
 - c. Enforcing codes and imposing sanctions for misconduct;
 - d. Declaring interests and managing conflicts of interest; and
 - e. Whistleblowing.
- 2. Assess whether the existing structures, processes and practices are conducive to high standards of conduct in local government;
- 3. Make any recommendations for how they can be improved; and
- 4. Note any evidence of intimidation of councillors, and make recommendations for any measures that could be put in place to prevent and address such intimidation.

The review will consider all levels of local government in England, including town and parish councils, principal authorities, combined authorities (including Metro Mayors) and the Greater London Authority (including the Mayor of London).

Local government ethical standards are a devolved issue. The Committee's remit does not enable it to consider ethical standards issues in devolved nations in the UK except with the agreement of the relevant devolved administrations. However, we welcome any evidence relating to local government ethical standards in the devolved nations of the UK, particularly examples of best practice, for comparative purposes.

Submissions will be published online alongside our final report, with any contact information (for example, email addresses) removed.

Consultation questions

The Committee invites responses to the following consultation questions.

Please note that not all questions will be relevant to all respondents and that submissions do not need to respond to every question. Respondents may wish to give evidence about only one local authority, several local authorities, or local government in England as a whole.

Please do let us know whether your evidence is specific to one particular authority or is a more general comment on local government in England.

Whilst we understand submissions may be grounded in personal experience, please note that the review is not an opportunity to have specific grievances considered.

- a. Are the existing structures, processes and practices in place working to ensure high standards of conduct by local councillors? If not, please say why.
- b. What, if any, are the most significant gaps in the current ethical standards regime for local government?

Codes of conduct

- c. Are local authority adopted codes of conduct for councillors clear and easily understood? Do the codes cover an appropriate range of behaviours? What examples of good practice, including induction processes, exist?
- d. A local authority has a statutory duty to ensure that its adopted code of conduct for councillors is consistent with the Seven Principles of Public Life and that it includes appropriate provision (as decided by the local authority) for registering and declaring councillors' interests. Are these requirements appropriate as they stand? If not, please say why.

Investigations and decisions on allegations

- e. Are allegations of councillor misconduct investigated and decided fairly and with due process?
 - i. What processes do local authorities have in place for investigating and deciding upon allegations? Do these processes meet requirements for due process? Should any additional safeguards be put in place to ensure due process?
 - ii. Is the current requirement that the views of an Independent Person must be sought and taken into account before deciding on an allegation sufficient to ensure the objectivity and fairness of the decision process? Should this requirement be strengthened? If so, how?
 - iii. Monitoring Officers are often involved in the process of investigating and deciding upon code breaches. Could Monitoring Officers be subject to conflicts of interest or undue pressure when doing so? How could Monitoring Officers be protected from this risk?

Sanctions

- f. Are existing sanctions for councillor misconduct sufficient?
 - i. What sanctions do local authorities use when councillors are found to have breached the code of conduct? Are these sanctions sufficient to deter breaches and, where relevant, to enforce compliance?

ii. Should local authorities be given the ability to use additional sanctions? If so, what should these be?

Declaring interests and conflicts of interest

- g. Are existing arrangements to declare councillors' interests and manage conflicts of interest satisfactory? If not please say why.
 - i. A local councillor is under a legal duty to register any pecuniary interests (or those of their spouse or partner), and cannot participate in discussion or votes that engage a disclosable pecuniary interest, nor take any further steps in relation to that matter, although local authorities can grant dispensations under certain circumstances. Are these statutory duties appropriate as they stand?
 - ii. What arrangements do local authorities have in place to declare councillors' interests, and manage conflicts of interest that go beyond the statutory requirements? Are these satisfactory? If not, please say why.

Whistleblowing

h. What arrangements are in place for whistleblowing, by the public, councillors, and officials? Are these satisfactory?

Improving standards

- i. What steps could *local authorities* take to improve local government ethical standards?
- j. What steps could *central government* take to improve local government ethical standards?

Intimidation of local councillors

- k. What is the nature, scale, and extent of intimidation towards local councillors?
 - i. What measures could be put in place to prevent and address this intimidation?

Who can respond?

Anyone with an interest may make a submission. The Committee welcomes submissions from members of the public.

However, the consultation is aimed particularly at the following stakeholders, both individually and corporately:

- Local authorities and standards committees;
- Local authority members (for example, Parish Councillors, District Councillors);
- Local authority officials (for example, Monitoring Officers);
- Think tanks with an interest or expertise in local government;
- Academics with interest or expertise in local government; and
- Representative bodies or groups related to local government.

How to make a submission

Submissions can be sent either in electronic format or in hard copy.

Submissions must:

- State clearly who the submission is from, i.e. whether from yourself or sent on behalf of an organisation;
- Include a brief introduction about yourself/your organisation and your reason for submitting evidence;
- Be in doc, docx, rtf, txt, ooxml or odt format, not PDF;
- Be concise we recommend no more than 2,000 words in length; and
- Contain a contact email address if you are submitting by email.

Submissions should:

- Have numbered paragraphs; and
- Comprise a single document. If there are any annexes or appendices, these should be included in the same document.

It would be helpful if your submission included any factual information you have to offer from which the Committee might be able to draw conclusions, and any recommendations for action which you would like the Committee to consider.

The Committee may choose not to accept a submission as evidence, or not to publish a submission even if it is accepted as evidence. This may occur where a submission is very long or contains material which is inappropriate.

Submissions sent to the Committee after the deadline of 17:00 on Friday 18 May 2018 may not be considered.

Submissions can be sent:

- 1. Via email to: public@public-standards.gov.uk
- 2. Via post to:

Review of Local Government Ethical Standards Committee on Standards in Public Life GC:07 1 Horse Guards Road London SW1A 2HQ

If you have any questions, please contact the Committee's Secretariat by email (public@public-standards.gov.uk) or phone (0207 271 2948).

Division(s): N/A	
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AUDIT & GOVERNANCE COMMITTEE - 7 MARCH 2018

Scale of Election Fees and Expenditure 2018/19

Report by Director of Law and Governance

Introduction

- 1. Each year the Council needs to set a scale of election fees and expenditure for the holding of elections of county councillors. This Committee is responsible for approving the 'scale of fees'. The Committee last did this in December 2016, approving a scale of fees to apply throughout the year 2017/18 and in particular for the May 2017 County Elections.
- 2. A scale of fees for the financial year 2018/19 now needs to be agreed. As in previous years, the review has been undertaken in consultation with the City and District Councils in Oxfordshire who assist the Council in the running of County Council elections. This year the scale of fees has been reviewed in the light of the experience of the County Election.
- 3. The proposed scale of fees is included as an Annex to this report. Committee is requested to approve the proposed Scale of Fees to apply from the start of the financial year 2018/19.

Purpose of the Scale of Fees

- 4. The purpose of the scale of fees and expenditure is to set out the amounts that can be charged for organising and running county council elections and by-elections. In practice, this means that these will be amounts that the City and District councils will claim back from the County Council for running elections on its behalf.
- 5. Most of the fees and expenditure remain unchanged. As you will see from the scale, some of these costs are fixed and some are "actual and necessary costs". The mileage rate is linked to the national authorised 'all car' rate of 45p per mile.

Levels for 2018-19

- 6. The main changes under this review relate to:
 - An increase in the Poll Clerks basic fee to reflect the relative difficulties
 of obtaining and retaining polling clerks: from £135.00 to £145.00
 (£152.00 to £155.00 for a combined poll);

- An increase for the preparation of ballot boxes, to reflect the relative complexity and importance of ensuring ballot boxes are 'polling station ready': from £3.65 to £5.00 per box;
- Reserve poll clerks/presiding officers the experience of the County Election (and subsequent General Election, in which County Council staff supported City and District election colleagues) demonstrated the importance of having a reserve list of staff. This is a list of staff who can be on call to be sent to a polling station in case of unexpected staffing difficulties on polling day. This is in line with good election planning. It was noted in discussion with City and District Council colleagues that such staff also require training and so it was noted that a payment for such training to them was also justified, whether they are used on polling day or not.
- 7. All other fees remain the same. The increases represent only a marginal cost compared to the overall cost of running a County Council election (or by-election).
- 8. The City and District Councils have now indicated that the referred to scale of fees are acceptable to them for the running of elections on the County Council's behalf, are consistent with their recent experience and should therefore provide a robust and cost-effective means of delivering any by-elections that may occur in-year during 2018-19.

Financial Implications

9. A separate budget is maintained for electoral expenditure, which is built up over time towards the County Council elections, due to be held next in 2021. This also incorporates an element towards by-election costs which may also occur in the 2018/19 year.

RECOMMENDATION

10. The Committee is RECOMMENDED to approve the Scale of Expenditure for the financial year 2018/19, as shown in Annex A to this report, for the election of County Councillors and any other local referendums.

Nick Graham
Director of Law and Governance

Background papers: Nil

Contact Officer: Andrea Newman,

Senior Democracy Officer

Telephone: 01865 810283

March 2018

OXFORDSHIRE COUNTY COUNCIL

REPRESENTATION OF THE PEOPLE ACT 1983 (SECTION 36(4))

SCALE OF EXPENDITURE FOR ELECTIONS OF COUNTY COUNCILLORS

(Applicable to elections held during period 1 April 2018 to 31 March 2019)

Only the fees and disbursements specified below shall be chargeable. The fees payable to the Returning Officer or his duly appointed Deputy Returning Officer shall include all payments which he makes from his fees to other persons by way of remuneration of services undertaken on his behalf.

In no case shall a charge exceed the sum actually and necessarily paid or payable by the Returning Officer. Subject to this the maximum charges are set out in the scale. These fees will apply to other polls/elections/referendums.

PART I - UNCONTESTED ELECTION

A - FEES

To the Returning Officer, for conducting the election and generally performing the duties required by any enactments relating to the election, other than any duties for which separate fees are provided. For each Electoral Division, a fee of

1-member £29.15 2-member £58.30

B - DISBURSEMENTS

3. Preparation of poll cards and postal vote cards for supervising the preparation and issue of official poll and postal vote cards.
For each Electoral Division, a fee
1-member £18.40
2-member £36.80

4. For the employment of persons for clerical and other assistance. For each Electoral Division

1-member £21.50 2-member £43.00

5. Travelling expenses of the Returning Officer, Deputy Returning Officer and Assistants. Per mile.....

of.....

£0.45

6. For printing and providing forms, notices and other documents required for the election, including the printing costs, computer charges and all associated costs of producing official poll and postal vote cards, together with advertising expenses, postage, telephone calls and miscellaneous expenses

Actual and necessary cost

PART II - CONTESTED ELECTION

A - FEES

7. To the Returning Officer, for conducting the election and generally performing the duties required by any enactments relating to the election, other than any duties for which separate fees are provided. For each Electoral Division, a fee of.............

1-member £91.30 2-member £182.60

1-member £86.90 2-member £173.80

(If a duly appointed Deputy Returning Officer also carries out the functions specified under Item 9 of this scale, he will be entitled to claim the fees payable under both item 8 and item 9 of the scale)

9. To a Deputy Returning Officer appointed solely for the purposes of rules 25(b) and 38 to 46 of the Local Elections (Principal Areas) Rules 1986 (or such legislation as may subsequently be enacted), for making arrangements for counting the votes and declaring the result of the poll. For each Electoral Division, a fee of......

1-member £58.30 2-member £116.60

(A Deputy Returning Officer appointed under this item cannot claim the fee payable under item 14 of this scale)

B - DISBURSEMENTS

(Presiding officers and poll clerks may not include any additional expenses i.e. electricity charges, other than travelling expenses specified in item 21 of this scale, without the prior written express agreement of the (Deputy) Returning Officer.)

12. An additional poll clerk may be employed full-time or part-time at a polling station at the discretion of the Returning Officer or his duly appointed Deputy Returning Officer, and will be paid the fee payable under item 11 of this scale, or an appropriate proportionate amount as applicable.

13.14.	3	£50.00 per presiding officer and poll clerk
	A fee of (a) for the first hour	£16.00
	(b) for each half hour thereafter or part thereof	£8.00
	In respect of evening/overnight working	
	(c) for the first hour(d) for each half hour thereafter or part	£18.00
15.	thereofCounting/Verification Assistant: A fee of	£9.00
	(a) for the first hour	£12.00
	(b) for each half hour thereafter or part thereof	£6.00
	In respect of evening/overnight working (c) for the first hour	£14.00
10	thereof	£7.00
16.	For the employment of persons for clerical and all other assistance other than where separate fees are provided. For each	1-member £108.50 2-member £217.00
17.	Preparation and issue of poll cards and	1-member £18.45
	postal vote cards, for supervising the preparation and issue of official poll and postal vote cards. For each Electoral	2-member £36.90
18.	Division, a fee of To an officer designated by the Returning	
	Officer or his duly appointed Deputy, for inspection and supervision of polling	
<mark>19.</mark>	stations. A fee ofFor preparation of ballot boxes. For each	£200.00
10.	polling station, a fee of	£3.65 £5.00
20.	Supervisor for the issue and receipt of postal ballot papers. A fee of:	
	(a) for the first hour	£16.00
	(b) for each half hour thereafter or part thereof	£8.00

21. For the employment of persons in connection with the issue and receipt of postal ballot papers, the total sum of which to be distributed by the Deputy Returning Officer at their discretion. A fee £0.70 per postal vote of..... 22. Hire of rooms in connection with the issue Actual and necessary costs and receipt of postal ballot papers For travelling expenses of the Returning Officer, Deputy Returning Officer, Assistants, Presiding Officers, Poll Clerks and Counting Assistants, and for posting Notices of Election and Notices of Poll. Per mile..... £0.45 24. Hire of rooms for the preparation of ballot Actual and necessary cost boxes 25. For preparing a room for the purpose of a poll, and of a count, and cleaning and reinstating the room (per station) (a) in the case of a school maintained by a local authority, which may be used free of hire charge, the caretaker's fee is to be paid in accordance with the allowances in force in the National Joint Council for Local Government Services National Agreement on Pay and Conditions of Service; or any local agreement; Actual and necessary cost and (b) in any other building..... Actual and necessary cost 26. Heating and lighting (per polling station) ... Actual and necessary cost 27. Conveyance of ballot boxes and voting screens..... Actual and necessary cost Compensation payable in consequence of 28. the cancellation of functions in order to make suitable premises available for use as polling stations or places of count...... Actual and necessary cost 29. For provision of ballot boxes and voting screens, for printing notices, ballot papers and other forms and documents required, including the printing costs, computer charges and all associated costs of producing the official poll and postal vote cards, and for stationery, advertising, postage, telephone calls, bank charges and miscellaneous expenses..... Actual and necessary cost **NOTE:** At a combined election of County with District or Parish Councillors, wherever appropriate the costs are to be shared on an equal basis between the relevant Authorities, unless a particular expense can actually be allocated to a specific authority.

Nick Graham, Director of Law and Governance and Monitoring Officer



AUDIT and GOVERNANCE COMMITTEE - 7 March 2018

REPORT OF THE AUDIT WORKING GROUP (AWG)

The Audit Working Group met on Wednesday 7 February 2018.

Attendance:

Full Meeting:

Chairman Dr Geoff Jones; Cllr Nick Carter; Cllr Roz Smith; Cllr Helen Evans; Cllr Ian Corkin; Cllr Charles Mathew, Ian Dyson, Assistant Chief Finance Officer (Assurance); Sarah Cox, Chief Internal Auditor; Katherine Kitashima, Principal Auditor, Joanne Hilliar (minutes)

Part Meeting:

Bev Hindle, Strategic Director Communities & Sue Halliwell, Director for Planning and Place, Karen Fuller & Benedict Leigh, Deputy Directors Adult Social Care, Lucy Butler Director Children's Services & Jo Moxon, Interim Deputy Director, Scott Warner & Mick Hopkins, City Investigation Team, Anthony Connolly, Risk Manager, Steven Jones, Corporate Performance and Risk Manager.

Matters to Report:

AWG 17.39 Update on Mental Health

The group had previously considered the audit of Mental Health which has an overall grading of Red. Karen Fuller and Benedict Leigh, Deputy Directors from Adult Social Care attended to provide the group with a further update on implementation progress.

The group noted that a follow up audit has now commenced and the auditors will be on site with the Mental Health Team later in February.

Significant work has been undertaken to improve the governance and control processes, particularly in the areas of commissioning of packages and performance management. There is a detailed action plan in place with Mental Health, the outcome of the implementation of this plan is being closely monitored by Senior Management and will inform any future decisions regarding the delivery model.

The group will review the outcomes of the follow up audit and then consider whether officers will be required to attend a future meeting.

AWG 17.40 Update on a) SEND inspection Update on b) Fostering audit 2017/18

a) The group asked for an update from the recent SEND inspection and specifically what key risks, governance and control issues had been identified and whether there were sufficient plans in place for addressing these.

The group noted the improvements already implemented since the inspection around the overall governance, including reporting and accountability lines. Additional resources have been identified and appointments have been made, in the key areas where improvement is required. A Deputy Director for Education has also been recruited to address the gaps with Leadership highlighted by the inspection.

The action plan will be published in March and actions need to be reported as implemented by December to the Dfe.

b) The group had requested an update on the implementation of management actions from the audit of Fostering 2017/18, whilst the overall conclusion was Amber, the group had previously noted that several management actions from the previous audit in 2015/16 had not been implemented.

The group noted the change in management of the service and that the reports from the service back to Internal Audit on the implementation of the action plan are positive. Internal Audit will undertake a follow up later in 2018/19, following the implementation of the new Children's ICT system and report the outcomes back to the AWG for consideration.

AWG 17.41 Update on S106 Audit

The report of the audit of S106 was agreed and finalised at the end of September 2017 and has the overall grading of Red, due to the weaknesses identified with the governance arrangements and internal control processes. Officers attended the December Audit Working Group, and the full report was considered. Bev Hindle, Strategic Director and Sue Halliwell, Director attended again to update the group on progress with implementation of management actions.

The group noted good progress with the implementation of the shorter-term actions and the further work required around the restructuring of Planning and Place, the negotiations process and improvements to the systems, data and processes. The group noted that the restructuring will address issues around capacity and clarify responsibilities.

The group noted that there will be a follow up audit planned for later in 2018/19 and will consider the outcomes from this.

AWG 17.42 Fraud Risk Project

The group were updated that the plans to go live with the fraud partnership, with the City Council Investigation Team, from 1 April 2018 were progressing and that the responsibility for the counter-fraud lead will transfer from Internal Audit to the new partnership.

In advance of the partnership the City Team have started to develop an organisational Fraud Risk Assessment which will help inform the Fraud Response Plan for 2018/19. The group considered the methodology and noted the development of a more structured approach to fraud risk assessment.

It is planned that counter fraud updates will be made to both the AWG and Audit & Governance Committee from the new partnership from April 2018.

AWG 17.43 Risk Management Update

Anthony Connelly, Risk Manager, presented an update on risk management.

The group noted the work ongoing with the corporate plan, the OCC CLT strategic risk register and embedding of the risk framework within directorates. The group reviewed in detail the CLT strategic risk registers and comments were noted to feedback to CLT. There is a planned training session for all members of the Audit & Governance Committee on risk management prior to the March meeting.

AWG 17.44 VAT internal audit report 2017/18

The group considered the full report of the VAT audit, which has been recently finalised and had the overall conclusion graded as Red. The audit focused on Output VAT charged on income from sales and suppliers of services and identified errors with VAT coding across nine of the ten cost centres sampled.

The group noted the work being led by the Assistant Chief Finance Officer (Assurance) working with the VAT lead officer in Hampshire to develop an action plan to address the issues identified, including staff training, updates to the schedule of fees and charges and improved performance reporting and escalation.

The group will receive updates on implementation of these actions through the routine Internal Audit update reports.

Date of next meeting Wednesday 4 April 2018, 2pm

Recommendation

The Committee is RECOMMENDED to note the report.

Lorna Baxter Director of Finance

AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME – 2018/19

25 April 2018

Annual Governance Statement (Glenn Watson)

Annual Report of the Chief Internal Auditor 2017/18 (Sarah Cox)

Internal Audit Strategy & Annual Plan 2018/19 (Sarah Cox)

Local Code of Corporate Governance (Glenn Watson)

Counter-fraud Plan 2018/19 (Scott Warner, City/County Partnership)

Audit Committee Annual Report to Council 2017 (Sarah Cox)

Annual Scrutiny Report (Katie Read)

Ernst & Young - Progress Report (David Guest)

OFRS Statement of Assurance 2017-18 (Kerry Blair)

25 July 2018

Statement of Accounts 2017/18 (Lorna Baxter)

Ernst & Young – Final Accounts Audit (David Guest)

Treasury Management Outturn 2017/18 (Tim Chapple)

Review of effectiveness of internal audit (Glenn Watson)

Internal Audit Charter (Sarah Cox)

Risk Management Strategy (Steven Jones / Anthony Connolly)

12 September 2018

Local Government Ombudsman's Review of Oxfordshire Co Co (Nick Graham)

Internal Audit Plan – Progress Report (Sarah Cox)

Counter-fraud Update (Scott Warner, City/County Partnership)

Surveillance Commissioner's Inspection and Regulation of Investigatory Powers Act (Glenn Watson / Richard Webb)

Monitoring Officer Annual Report (Nick Graham)

Ernst & Young - Progress Report (David Guest)

14 November 2018

Ernst & Young: Annual Audit Letter (David Guest)

Treasury Management Mid Term Review (Joseph Turner)

9 January 2019

Internal Audit Plan – Progress Report (Sarah Cox)

Counter-fraud Update (Scott Warner, City/County Partnership)

Ernst & Young - Audit Plan (David Guest)

Treasury Management Strategy Statement and Annual Investment Strategy for 2019/20 (Tim Chapple)

Constitution Review (Glenn Watson)

6 March 2019

Ernst & Young – 2018/19 Audit Plan (David Guest)

Scale of Election Fees and Expenditure (Glenn Watson)

Progress update on Annual Governance Statement Actions (Glenn Watson)

Standing Items:

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



Division(s): N/A	
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AUDIT AND GOVERNANCE COMMITTEE – 7 March 2018

UPDATE ON THE COUNCIL'S FIT FOR THE FUTURE TRANSFORMATION PROGRAMME

Report by Assistant Chief Executive

Introduction

- 1. The next stage of the county council's Fit for the Future transformation programme is now underway. The programme will ensure that in the future the council will be sustainable, resilient and can achieve better outcomes for our residents as well as addressing our financial challenges.
- The work that was carried out last summer and developed over the autumn showed how staff, right across the council, were collectively spending their time. It demonstrated that relatively low proportions of effort were focused on front line service delivery and that our support processes and systems need improving.
- 3. In response we have now started an intensive programme of work to address these issues and design in detail how we will work in the future. With the help of PwC, we are focusing on investment in new ways of working and better use of digital technology to reduce costs further and improve customer service.
- 4. This will ensure we both meet residents' needs and can work more effectively and efficiently internally with the intention of achieving savings of between £33m-£58m per year, enabling political choices to be made about investment in services.

Background

- 5. Like all councils, Oxfordshire County Council has had to manage a significant reduction to government funding since 2010 whilst also coping with rising demand for services, particularly adult and children's social care. We have saved more than £300m per year in this period, with most of this money being used to meet growing demand for social care.
- 6. The council has become significantly more efficient since 2010, including by reducing 'back office' costs, sharing HR and finance services with Hampshire County Council, and reducing the number of managers. We did this to minimise cuts to services but given the scale of savings required, there have also been service reductions such as removal of bus subsidies and reduced funding for universal children's services such as 'stay and play'. Funding for roads maintenance has also reduced.
- 7. Since 2010 services have been redesigned to focus on people in greatest need, while working with the community and voluntary sector to increase capacity for 'community self-help'. This has enabled libraries to stay open, and community services for children and adults to start up.

- 8. However we have reached the limit of what we can achieve without a fundamental rethink about how the organisation operates. This has been recognised by Council and, as part of the budget setting process in February 2016, a transformation savings target of £15m per year was built into the medium term financial plan. Given the need to take an invest to save approach a budget of £6.5m was allocated by Cabinet for activity to support this work.
- 9. Since then there have been a number of phases of work:
 - **Phase 1** This work was reported to Audit and Governance Committee in September 2017 and is not the focus of this report. Annex 1 provides an update on delivery of phase 1 'enabling' projects.
 - **Activity Analysis** As part of the phase 1 work, during the summer of 2017 and with the support of PwC, an 'activity analysis' was undertaken by all staff and the results were provided in September 2017. This identified a number of significant issues as outlined in detail below. Consequently we took stock of the work to date and determined that further analysis into these issues was required.
 - Phase 2 undertaken in partnership with PwC, between October 2017 and January 2018 focused on developing a further understanding of the issues identified in the activity analysis, starting to develop a new operating model for the council and putting in place a new cross-council governance structure for transformation activity. This work resulted in a comprehensive 'case for change', further details are set out below.
 - Phase 3 started in February 2018. Further details are set out below.
- 10. In addition to the timeline above it is worth explaining how the council's work on local government reorganisation has informed our internal thinking about the way that the council operates:
 - In February 2015 the council faced a threat to its future when work that had been done collectively with local partners on devolution was used by local district councils to generate a proposal to replace the county council and district councils with four small unitary councils extending beyond Oxfordshire's boundaries into Gloucestershire and Northamptonshire.
 - In response the county council considered a number of different options for local restructuring and undertook significant work to understand the opportunity that bringing together two tiers of local government services could offer for residents, taking advantage of the opportunity to fundamentally redesign the way that we work. This work focused on the benefits that a strategically driven organisation working across the county area of Oxfordshire could bring when aligned with a very local and strong community focus (articulated as a desire to be 'more strategic, more local').
 - As a result of the county council's work, a unitary proposal known as 'Better Oxfordshire', with the support of South Oxfordshire District Council, Vale of White Horse District Council as well the County

- Council, was submitted to the Secretary of State for Local government in March 2017. We await a formal response.
- Given the period of uncertainty following the submission of the unitary document and that no decision has been forthcoming over the past year, the council has focused on applying the learning from the unitary work into the county council's organisation and ambitions (with a 'think unitary, act unitary' mentality and an approach that seeks to be both more strategic and more local in its focus). Three examples of how this has transpired are:
 - Through the successful work with the local district councils on a Growth Deal for Oxfordshire bringing over £200m of investment for housing and infrastructure into the county.
 - The new 'thriving communities' vision for the county council as articulated below as well as in more detail through the council's new prospectus²:



 In the approach being taken to develop a new way of working for the council as driven through the fit for the future programme, as outlined in this report.

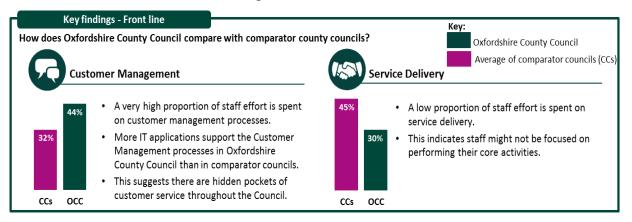
The Activity Analysis

11. In summer 2017 all staff were asked to undertake a questionnaire exploring how they spent their time on a day to day basis. The aim was to provide a scan of the organisation, showing how the Council's workforce apportions effort across 37 standard local government processes. To collect the data each member of staff allocated the time they spent each week against these 37 processes. Their responses were collated to develop a baseline for the Council and enable an analysis of the extent of fragmentation and duplication of effort across the council, in comparison to other similar councils. The response rate was 56%, with 100% of all job roles covered.

¹ https://www.better-oxfordshire.org/

² https://www.oxfordshire.gov.uk/cms/content/our-vision-0

- 12. The main findings of the analysis are shown in detail at Annex 2. Key issues to note are:
 - a. That a relatively low proportion of staff's collective effort (30%) was spent on delivering services and a relatively high proportion was spent on customer management (44%). In comparison with similar councils we spend a third less total effort on service delivery and a third more effort on customer management.



- b. That there were a very high number (400+) of ICT systems
- c. That there were a very high number of change initiatives (700+) underway.
- d. That staff effort is fragmented across many processes, with over 24% of staff spending 5% or more of their time on six or more processes. This is more than double the figure for comparator councils and indicates more prolific fragmentation at Oxfordshire.
- 13. The main conclusions from this work were that
- Oxfordshire County Council outsources certain aspects of HR, Payroll and Finance, yet the internal effort expended on these processes is higher than the comparator group. This is significant as many of these comparator councils do not outsource this activity. This could indicate the Council is not currently getting the best value out of these arrangements and is indicative of frontline service teams spending excessive time on support processes. The fact that support functions remain embedded in service areas represents an area of opportunity for the Council.
- A large proportion of staff effort is spent on Customer Management processes. Processes such as Enquiry Handling and Managing Appointments are supported by significantly more staff effort and IT applications than the comparator group. During the data gathering phase of this work, workshop attendees cited varying levels of concern about their knowledge of customers, citing multiple front doors and inconsistent customer offerings as problem areas. This could indicate that a lack of insight into its customers may be responsible for potential inefficiencies and duplication of effort in Customer Management.

Complex processes, technology and immature digital offerings may be driving some of these characteristics.

Leadership teams highlighted that confusing, non-standard processes and out-of-date IT applications were a hindrance to their workforce. This is supported by the activity analysis findings for process heavy areas of work, such as Data Entry & Recording, which seem require more staff effort in Oxfordshire County Council than in the comparator group. Concerns about the low maturity of digital and self-serve offerings for customers were also raised. These factors may be limiting the Council's ability to implement its strategy with the pace and efficiency it desires.

4. Significantly less effort is being used to deliver services compared to the comparator group.

The degree of FTE effort used to perform service delivery is considerably lower in Oxfordshire County Council than the comparator group. This may be caused by staff performing other processes that are not their core activity, as well as a high proportion of services being outsourced rather than being provided directly by the council.

5. The strategic direction of the Council could be clearer.

Uncertainty was expressed about where the Council is heading. It was noted that significant strides have been made in the past eighteen months to improve the Council, but that there was still a lack of certainty over what the Council might look like in the future.

Phase 2: October 2017 to January 2018

- 14. Given the findings of the Activity Analysis a decision was taken by the Chief Executive to undertake an 'operating model assessment'. This enabled more detailed analysis of the issues identified in the activity analysis and formed the basis of phase 2 workstreams that were undertaken between October 2017 and January 2018, with the support of PwC.
- 15. The most significant area of this work focused on a more detailed assessment of the council's operating model (the way that we work). A series of cross cutting workshops were held with many staff at different levels and from right across the council, detailed data analysis was undertaken and qualitative sessions held with the council's leadership team and directorate leadership teams for their assessment of current issues and future opportunities.
- 16. Other work focused on understanding the council's digital and technology environment and working with members and officers to consider future opportunities for doing things differently through the use of technology; and undertaking a detailed analysis of our third party spend environment to consider opportunities for savings through commissioned services.
- 17. A further workstream was in response to the fragmented approach to transformation projects that had been identified in the activity analysis. A rapid review was undertaken into the governance of transformation projects and supporting programme management arrangements.

Revised Governance Arrangements

- 18. In December 2017, as a consequence of the workstream on governance, a number of changes were made to the arrangements for the transformation programme. These changes were designed to:
 - Strengthen overall governance and decision making, ensuring coverage of all services, avoiding duplication or gaps, and addressing concerns about the lack of a 'design authority';

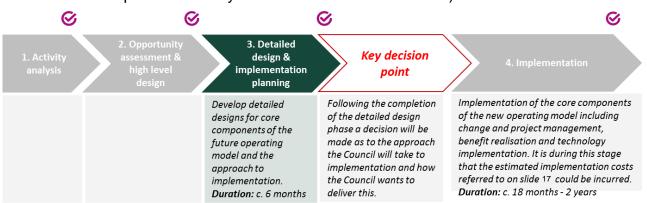
- Promote clarity of arrangements for programme management; ensuring compliance with programme management tools and the council's programme management approach;
- Refresh the existing processes and templates for the programme management office;
- Improve the tracking of benefit realisation (financial and non financial benefits).
- Provide a 'whole council' comprehensive approach as previously the Transformation Board had only focused on some of the overall activity being undertaken across the council (the three 'enabling workstreams in phase 1 work).
- 19. In December 2017 a new Fit for the Future Board was established, chaired by the Chief Executive, with membership from strategic directors and others. This board now covers **all** transformational activity in the council, acting as a 'design authority' to ensure that there is a single and joined up authoritative approach to decision making on transformation, cutting right across the council. Annex 3 sets out the new arrangements in detail and also shows how directorate and cross cutting working groups feed into the overarching Board.
- 20. This workstream also changed our arrangements for programme management. A small interim team of staff was pulled into a focused programme management resource for the new Board, to ensure that the Board has oversight and accountability for all transformation projects, and that there is compliance with organisational processes and effective benefit realisation processes in place.

The Case for Change

- 21. A comprehensive 'case for change' was produced at the end of phase 2. This sets out how designing a new way of working, known as an 'operating model', will put the council in the best position to achieve its vision of thriving communities; ensuring a sustainable and resilient future, addressing rising demand and delivering the best outcomes for residents whilst also meeting financial pressures.
- 22. It is expected that a new way of working, taking a holistic approach right across the council, will achieve financial savings of between £33m and £58m per year. This will put the council in a strong position for the future, more than addressing expected financial pressures and enabling political choices to be made for example about future investment in services or reduction in local taxes.
- 23. The investment expected to realise this scale of annual savings is estimated at this stage to be in the region of £17m (a one off cost, to be phased over the period of implementation likely to be a period in the region of 2 years).
- 24. The Executive Summary of the case for change is provided at Annex 5. This provides significant detail, including how the savings and costs of implementation could be phased.

Phase 3: February to July 2018

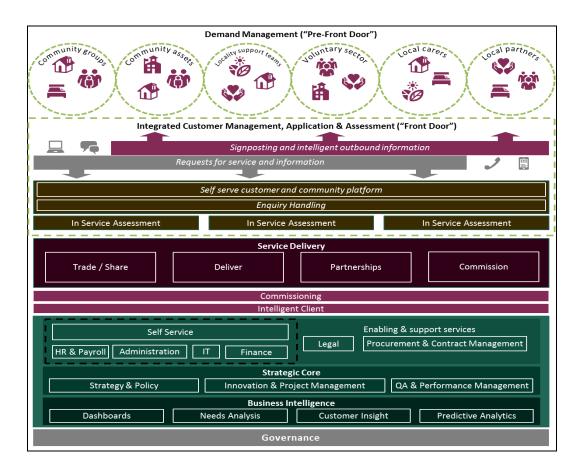
- 25. To address the opportunities identified in the case for change the council is now progressing work on four workstreams, again in partnership with PwC.
- 26. This work runs from February to July 2018, at which point a decision will be required about implementation of a new operating model (including on the scale and pace of delivery and how this is best achieved).



27. The four workstreams are set out below:

Workstream 1: Operating Model design

28. The most significant work is on designing in detail a new operating model for the council. This will develop a new approach to how the council does its business across nine 'layers', with the focus being on taking a holistic whole council approach to designing each layer. Detailed work is now underway, informed by initial work as set out below:



1. Demand Management - "Pre Front Door"	The Council will work with local partners, including community groups and the voluntary sector, to encourage an active role in thriving communities as well as the delivery of services to residents of Oxfordshire. This will not only enable residents to receive services at the most 'local' level possible but it will also act as a "pre-front" door helping the Council to actively manage the demand placed on its services.
2. Customer Management – "Front Door"	The operating model will be built around the concept of integrated customer management with most customer contact being managed by a single contact centre. Some contact will be channelled straight to services such as adult or children's safeguarding. Standardised ways of working and streamlined channels of contact, wherever possible, will enhance the effectiveness and efficiency of this model.
3. Customer Management - "Assessment"	The operating model will focus on establishing a consistent approach to customer assessment with consolidation of application and assessment processes (where appropriate) and underpinned by a consistent framework for assessment allowing both generalist and specialist assessment teams to operate in a consistent manner.
4. Commissioning & Intelligent Client	A commissioning and intelligent client layer will commission services in line with the direction provided by the strategic core both in terms of managing relationships with external suppliers as well as in terms of engaging with the Council's enabling and support services.
5. Support Services - Enabling	The enabling elements of support services will be supported by organisation wide intelligence and insight, integrated systems, slick processes and integrated systems, as well as a clear division of responsibility.

6. Support Services - Transactional	The transactional elements of support services will be optimised through process improvement, improved digital technology, user experience and systems and clear roles, responsibilities and guidance. In particular handoffs with outsourcing partners will be clear and timely and self serve used only when appropriate.
7. Strategic Core	Strategic Core seeks to consolidate strategic activity from across the organisation in order to optimise efficiency and give clarity on roles and responsibilities. Corporate strategy is also housed as part of the Strategic Core, in order to be central to everything the council does. The strategic core will be supported by high-performing, specialist teams, clear and robust governance and digital technology to improve external and internal user interactions.
8. Business Intelligence	Business intelligence will underpin how the Council operates in the future. Data and information gathered from interactions with customers, businesses and partners as well as our assets and people will be used to feed into insight presented in agreed dashboards. Performance data will inform needs analyses, predictive analytics and ultimately decision making. Using a consistent data set across the council, analytics tools could use digital technology to automatically produce agreed and defined reports to support decision making.
9. Governance	The foundation of the operating model will be based on clarity around governance structures, accountability and responsibility. These will not only provide the foundations of the operating model but will also support and enable each other functional layer in order to enable process to work and decisions to be made.

- 29. This work will be informed through evidence gathered from the Activity Analysis and other work to date, as well through input to be gathered from 42 facilitated workshops that will involve a wide range of staff as well as councillors.
- 30. It will be underpinned by a set of design principles that will inform the approach taken to the design of each layer. These have been developed in draft by the council's leadership team and are now being refined, including through sharing with staff and councillors for their views.

Operating Model Component	DRAFT Design principle	
Customer Offering	 Residents are experts in their own lives - they are the best to identify outcomes, inform service design and help themselves within their community. We will hold a 'single record' for each of our customers making it easier for us to understand our communities, manage demand and offer support/ intervention based on need. 	
Processes	 We will design processes around the user and their experience, enabling self-service at every opportunity. We will be transparent about the ways in which we manage risk. 	
Technology	 Systems, applications and infrastructure will be designed around business need, with a consistent approach to functional requirements. We will ensure that technology is always an enabler, not a hindrance. 	
Information	Our decisions will be informed by sound business intelligence and data analytics	
Organisation	 We will provide transparency, clarity and consistency on roles and expectations across the organisation Accountability will sit at the most appropriate structural and community level We will consolidate strategic and common functions with a clear purpose, maintaining flexibility in local delivery 	
People Capabilities	We will enable all our people to use their creativity to develop innovative solutions to the challenges we face.	
Performance Management	We will measure the right things, through a consistent performance management framework, from corporate outcomes to individual performance	

Workstream 2: Innovation Jumpstart

31. Innovation jumpstart involves carrying out a small number of quick projects to identify and develop opportunities to use technology to improve our services or efficiency. This builds on the work undertaken as part of the phase 2 work, creating an 'opportunity bank' of around 100 innovative ideas to deliver services differently using digital technology. Of these, ten ideas will be further developed and four then selected to take forward into detailed business cases and prototype development. Some examples of ideas that could be progressed in this way include ways to support older people living independently at home for longer; opportunities to improve the efficiency of home to school transport provision; remote testing of fire alarms; use of drones in emergency situations; use of assistive technology for disabled children etc.

Workstream 3: Third party spend

32. Phase 2 work identified a list of opportunities to improve the council's approach to procuring external services. This will now be taken forward through the development and execution of three detailed 'strategic sourcing plans' to deliver savings compared to our current procurement approach.

Workstream 4: Programme management and governance

33. Work continues to embed and strengthen the new programme management and governance arrangements, as set out above.

Funding Arrangements

34. Funding for all the work to date has been through the £6.5m transformation fund.

- 35. Funding for any costs resulting from the implementation of a new operating model have not yet been agreed, and will be subject to further consideration by councillors through the usual routes.
- 36. Initial modelling regarding the potential benefits of moving to a new operating model are identified in the case for change as being in the region of £33m-58m per year, with the costs of implementation being in the region of £17m. The Executive Summary provided at Annex 5 (see page 17) shows that, subject to decisions about the phasing of implementation, the cumulative cost / benefit position of the programme could be positive within one year (ie savings are greater than the costs by year 2).

Member Involvement

- 37. The Cabinet Member for Transformation, Cllr Lorraine Lindsay-Gale, is overseeing this work.
- 38. In addition there is close involvement of Cabinet members and Political Group Leaders along with relevant portfolio holders, with monthly meetings to provide updates and enable them to steer this work.
- 39. The Audit and Governance Committee will continue to receive regular updates on this work, and the committee's views will be sought on issues pertinent to their remit. For example, this could include ensuring that:
 - effective governance arrangements are in place throughout the current phase of work;
 - effective governance arrangements are designed into the new operating model;
 - risks are effectively identified, escalated and managed;
 - and, subject to decisions about implementation, that there are effective mechanisms in place to ensure delivery of tangible benefits.
- 40. An all member briefing is being held on 12 March 2018. This will provide all members with an update on the work being undertaken and also seek their input into the design principles and the way that local needs and characteristics are being built into the operating model.
- 41. The Performance Scrutiny Committee is considering the programme on 15 March 2018.
- 42. Further design input for members will be through locality group meetings that will be arranged in early summer 2018.
- 43. The decision about implementation, including the phasing and scale of savings allocated, will be for members to take in summer 2018.

Staff Engagement

44. Many staff have already been involved in the work to date, but given the scale of the programme a significant internal communications plan is now being

- rolled out. All senior managers were briefed in early February and a face to face presentation and discussion opportunity for all staff is currently being cascaded. In addition the Chief Executive will be undertaking a series of roadshows in early March and this will be an important topic.
- 45. The council's leadership team are leading the work on the new operating model, with each director taking ownership of an individual layer in the new operating model. They are supported by a lead senior manager who will spend approximately a day per week on this work for the next few months. Each layer also has a working group established to ensure wide input into the design, and broader engagement will be through a large number of workshops for a 'diagonal slice' of staff from different service areas and levels.
- 46. Unison have been briefed regularly on the work to date and a more detailed communication plan is being developed to inform all unions recognised by the council over the coming months.

Partner Involvement

47. Over the coming period considerable engagement will be required with the council's key partners, to ensure that the work that is being undertaken on the operating model will achieve the best outcomes for residents, and ensure that as far a possible there will be a seamless approach between organisational boundaries.

Governance Arrangements

- 48. Governance for the phase 3 programme of work (consisting of the four workstreams set out above), is via the Fit for the Future Working Group that meets fortnightly. Members are the Chief Executive, Strategic Directors, Assistant Chief Executive (programme sponsor) and the Director of Finance, with PwC staff also in attendance. The Terms of Reference for this group are provided at Annex 4.
- 49. Governance arrangements for all transformational activity in the council is through the newly established Fit for the Future Board. Detail is provided in Annex 3.

Risks

- 50. The risks relating to this programme are being managed through the council's usual processes.
- 51. The new Fit for the Future board has a monthly update on latest risks and issues and these are proactively managed by the Interim Programme Management Office manager. This report includes an analysis by the Programme Management Office of themed or escalated project risks that require a decision, intervention or active monitoring. These issues are considered formally by the Board at each meeting.
- 52. Further work is now required to ensure sufficient join up between the Board's risks and the council's strategic risks. This is underway.

RECOMMENDATION

- 53. The Committee is RECOMMENDED to:
 - (a) note the content of this report;
 - (b) comment on any issues that are pertinent to the remit of the Committee for example on governance, risk and delivery of benefits;
 - (c) provide a steer on how frequently they would like to be updated on this work and whether they would wish to be further involved in shaping the approach taken to governance in the design of the new operating model.

Maggie Scott, Assistant Chief Executive

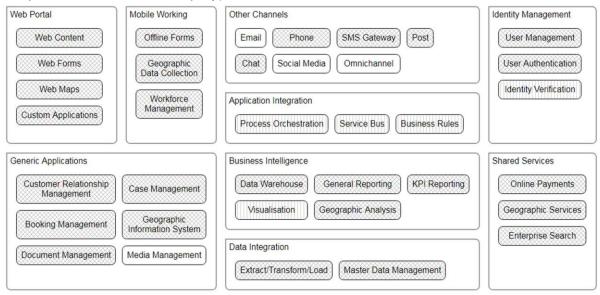
Background papers: Annex 5 is provided as a separate document. February 2018

Annex 1: Summary of Phase 1 Transformation delivery to date

Work Digital and Business Efficiencies workstreams (Phase 1 Fit for the Future):

- A fully responsive website (works on all devices)
- Web forms linked to customer records and workflow (tranche 1)
- Single payments solution
- Single geographical information solution (GIS)
- Customer accounts with view of current and historical transactions
- Workflow and business rules capability to configure digital processes and automation
- In-house expertise to configure and develop the platform
- Integration of legacy systems into the digital platform, with gradual replacement of systems going forward; having one set of tools for common business processes.
- Workflow tools to enable on and offline mobile working
- Business Intelligence and Master Data Management Strategy
- Activity Analysis

The following diagram indicates which technical components have been deployed (and procured, but still to deploy) to enable the above criteria.



Legend: deployed recommended

The components provide re-usable capabilities to provide in future iterations of online service development:

- Content
- Applications (forms)
- Booking
- Payments
- Mapping
- Search
- Identity management
- Customer records
- Integration and workflow

A digital services team was established to modernise and improve our current website, online transactions, user experience, and improve workforce processes, covering:

- · Web design
- Web content management
- Application development, including automation of processes and business rules
- Data management, exchange and integration
- Spatial data, gazetteer and mapping
- · Booking of events and resources
- User led design UX and testing
- Release management

Work to date has delivered:

- Day Services Bookings
- Blue Badge Applications
- Residential Parking Permits
- New public site (homepage live)
- Payment Card Industry (PCI) compliant online and telephony payments
- Fire Rescue Service Protection Inspections
- Special Educational Needs Transport Booking
- 7 Intranet Map Applications
- 6 teams migrated to single GIS platform
- Connecting You 3707 / 4187 (89%) staff hardware replacement and upgrade to Windows 10 / Office 365
- Better Broadband 95% delivered December 2017 (top 25 nationally)
- Digital Assistance Partial integration of Customer Service Centre / Library service to provided face to face support to customers 'digital assistance' for council services

Website Content Review - 1600 web pages reviewed:

- 296 pages removed
- 338 emails removed
- 643 phone numbers removed
- new governance rules in place

Legacy (decommissioning and replacements)

- Document Manager decommissioned
- School closures system
- Hands On Oxfordshire Heritage booking
- Teachers' Pensions administration
- Gritting alerts
- Job Evaluation Tracker
- DMMO/PRoWD
- Heritage Search replacement
- · Planchest decommissioned

Annex 2 - Main findings from the Activity Analysis

programme

impact on.

All existing and planned change initiatives carried out across the Council

were analysed to understand which business processes they will have an

Change Initiatives Analysis

being recorded. These were often not related to the Fit for the Future It was found that there were a large number of change initiatives taking place across the organisation, with a total of 703 unique change initiatives

effort on activities that are not in their job description.

Example:

different activities compared to comparator councils. Staff may be spending

Significantly less effort is being used to deliver services compared

to the comparator group.

may be limiting their ability to serve their citizens effectively. hindrance to Oxfordshire County Council's talented workforce. This Confusing processes and unintuitive IT systems are currently seen as a may be driving some of these characteristics.

compared to other County Council comparators. This could be caused by Staff are spending a low proportion of time on Service Delivery activities

staff performing activities that are not their core activity, as well as

comparatively high levels of outsourcing.

The results highlighted that many staff were performing a high number of

analysed to measure the level of fragmentation in the organisation.

The number of different activities performed by each staff member was

Fragmentation Analysis

703 total change initiatives

Medium/Low priority 239 systems

Taking enquiries

Administration

Contract management

5

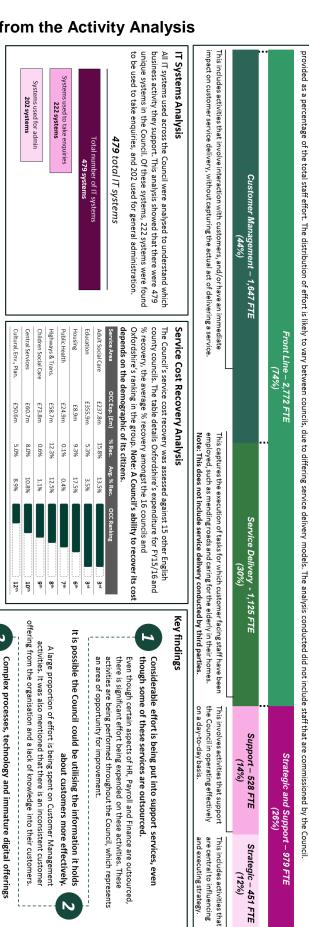
Significant strides have been made in this regard, but there's a lack of Uncertainty has been expressed about where the Council is heading. The strategic direction of the Council could be clearer.

certainty over what the organisation will look like in the future.

Excel data entry

Finance

appointments Booking

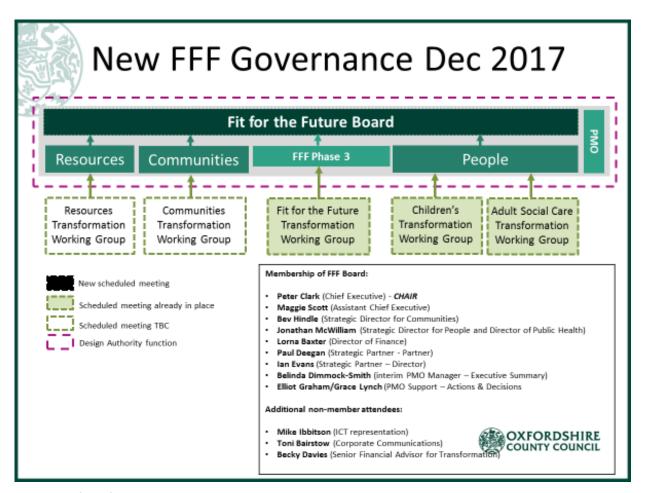


We asked staff how they spend their time at work to understand the distribution of workforce effort across the organisation. The high level distribution of staff effort is shown below, with the amount of staff effort in each category also

FTE = Full Time Equivalents

FTE activity analysis

Annex 3: New governance arrangements and Fit for the Future Board Terms of Reference



Terms of Reference:

Purpose of FFF Board:

A monthly decision making body responsible for the outcome and benefits of the Fit for the Future Programme by:

- Determining strategic priorities for change and transformation work in the Council, including the wider strategic fit with the Council's Operating Framework.
- Reviewing projects and making critical decisions or actions required to remove enable further progress.
- Monitoring risk management and issue resolution.
- Assessing projects against key criteria to determine whether they should move to the next stage of the project lifecycle.
- Ensuring that the impacts of proposed change are identified, understood and managed.
- Evaluating projects on their ability to unlock direct and indirect benefits for council and residents.
- Reviewing project closure and benefit reporting.
- Deciding what communications to be published to the wider council and members about transformation progress.

Scope of FFF Board:

The FFF Board requires oversight of all change and transformation projects changing the ways of working or how Oxfordshire County Council delivers services to residents to achieve savings whilst maintaining or improve the quality of services. The table on the next slide outlines more detailed criteria for determining whether a project is in scope of the FFF Board's remit. This forum, in the current absence of such a function, also acts as Design Authority to regulate design and implementation assuring no duplication or impact to the new Operating Model whilst quality assessing and aligning projects.

Exclusions:

The remit of the FFF Board does not include the delivery of projects in the Capital Programme. However, this will be kept under review and if necessary, the ToR updated accordingly.

Annex 4: Terms of Reference for the Fit for the Future Transformation Working Group

Purpose:

- To drive the successful delivery of the cross cutting elements of the Fit for the Future work programme:
 - Overseeing and steering the phase 3 detailed design phase of work with PwC as set out in the schedule dated 24.01.18
 - Closing down / transferring the remaining elements of the previous programme ('January deliverables')
- To report on progress on a monthly basis to the Fit for the Future Board

Outcomes:

- Delivery of the programme
- Ensuring that there is good communications and join up across the whole
 organisation regarding the work that is within the remit of the Board, including
 through communications with other working groups and within all service areas
- Managing the interdependencies between projects in particular through bringing key issues from across the organisation to the Board's attention
- Management of programme risks and issues
- Prioritising the various projects
- Overseeing communications

Approach

- Meet regularly on a fortnightly basis
- Focus on achieving the outcomes
- Using project methodologies and disciplines
- To prioritise attendance wherever possible, no substitutes to be sent.

Membership

Maggie Scott – Chair of Board
Peter Clark
Jonathan McWilliam
Bev Hindle
Lorna Baxter
Belinda Dimmock Smith – Programme Manager
PWC attendees – Ben Pykett, Ian Evans, Andrew Corder
Helena Jones (notes)
Mike Ibbitson (ICT) to be invited as needed.

Annex 5: January 2018 Case for Change Executive Summary

[follows]



Case for Change **Executive Summary**

Oxfordshire County Council

Operating Model Assessment

January 2018 FINAL



Foreword from the Chief Executive...

Foreword

We have come a long way over the past two years. During a period of unprecedented financial pressure and political uncertainty at a national level, we have secured significant savings, improved performance in some critical service areas and delivered substantial improvements to the way we are organised and operate.

At the same time, we have played a significant role in helping to ensure the County of Oxfordshire and the people we serve have the best possible opportunities to be successful. We have provided critical care to those that need it, helped others to retain their independence, maintained and improved the infrastructure on which we all rely and have helped to ensure our economy continues to be one of the fastest growing in the UK.

important to recognise how much has been achieved in such a short space of time, and in particular the way in which our Members, staff, there and communities have worked together on this agenda. For all this success, however, it is clear that we have much more to do.

The financial challenge we face remains considerable. While we may not have the burning platform being faced by some other county councils, when will have to make savings in this and future years. A proportion of this will need to be directed towards ensuring we are able to balance the books. However, I am increasingly of the view that we have a significant opportunity to make different choices about how we deploy the resources that are available to us.

The work we carried out last summer, and developed over the autumn, has confirmed my belief that we should be raising our ambitions about the type of organisation we want to be. We are all familiar with the way in which service providers in other sectors harness technology and data to achieve their objectives. Similarly, we are becoming increasingly aware of the sorts of cultures other organisations have been able to develop – cultures that encourage collaboration, innovation, operating with a commercial mindset and taking risks to deliver better outcomes for customers.

I want all these things for Oxfordshire County Council. I believe we need to secure a step change to the way in which we think about and implement transformation. This report articulates how we can go about doing this – how we can transform our processes, technology, our use of data, our relationships with each other – to establish a 21st Century model of local government. Taking these steps will help us to improve our resilience, help our key services manage demand more effectively and ensure we become a more agile and entrepreneurial organisation.

This journey will not be easy. It will require us to be focussed, disciplined and imaginative. Critically, it will require us to accelerate change within the organisation. However, if we apply ourselves to this challenge as I know we can, we will be successful in building a Council that will help Oxfordshire and its residents to thrive for many years to come.

Local government continues to face significant uncertainty especially in terms of decreased funding and increasing demand for its services...

Context

Local government continues to face an unprecedented set of challenges. Further reductions in central government funding are creating a 20-30% funding gap, and there is increasing demand for existing and new services. Increasing budgetary pressures and service demand mean that councils have to do more with less.

PwC's Local State We're In 2017 review, an annual survey that consults local authority CEOs and Leaders, identified the following key themes which have begun to emerge;

-Page√115

The 'edge' feels closer: Almost a third of councils now feel that the 'cliff edge' is imminent and are not confident of their ability to deliver next year.

Confidence in the sector is low: When it comes to considering the sector as a whole, around half (54%) of respondents think that some local authorities will get into serious financial crisis in the next year, rising to 85% in the next five years. With the perceived threat of service and financial failure prevalent, the sector as a whole faces uncertainty as it looks to the future.

- Council's are at the heart of public service reform: As councils shift their thinking towards driving public service reform across their place, six out of ten respondents agree that councils should be more responsible for facilitating outcomes rather than delivering services. However, only four in ten fully understand how to measure outcomes while only a quarter know the cost of securing outcomes across a place.
- Good growth continues to climb the agenda Place based growth has also risen up the agenda with councils' priorities for growth largely reflecting those of the public with skills, housing and transport topping the agenda. However, significant barriers remain in each of these areas, such as lack of investment in infrastructure, lack of affordable or suitable housing and lack of influence over skills.
- Significant capacity and capability gaps remain Councils need to build organisational resilience and in particular develop new skills and commercial acumen in order to be effective. Areas in particular need of development are supply chain management, contract management, talent management, cyber security and data analytics.

Oxfordshire County Council (OCC) is in a better position than many Councils but still has to make changes in order to solve the challenges they face...

Background

While the Council's current financial pressures do not constitute an immediate 'burning platform', there is a recognition amongst the Council Leadership Team (CLT) that OCC faces a number of challenges which the Council must be forward thinking in addressing in order to achieve their strategic ambition of creating, and maintaining, "Thriving communities for everyone in Oxfordshire".

The challenges facing OCC OCC recognises the need to be fit for the future. It understands it needs to Requirement to be fit for the future improve its overall efficiency and effectiveness. Critically, it is committed to delivering better outcomes for the people it serves. Local councils are experiencing a period of unprecedented pressure. Demand for services is rising and customer expectations are changing. For The local government landscape is changing OCC this is manifesting itself in increasing demand for Children's services as well as additional pressures across other core service areas. At the same time, OCC has recently proposed changes to the structure of local government in Oxfordshire and is now working closely with local Closer collaboration with the wider public sector district councils and other public sector partners to identify opportunities for closer collaboration. The Council understands that having the right people with the right skills Improving efficiency of current services to perform the right activity at the right time will be crucial to achieving its vision to be fit for the future.

Specifically the Council faces cumulative budgetary pressures of £34.1m to 2021/22 driven by demographic changes, legislative changes and existing savings initiatives that are not expected to be delivered...

Scale of the financial challenge .

In the most recent Service & Resource Planning 2018/19 to 2021/22 report to Cabinet (19th December 2017), Council officers identified that over the next four years the Council faces cumulative **budgetary pressures of £34.1m**, driven by:

Demographic pressures, including increasing numbers of Children requiring placements and an increase in the number of children with disabilities.

- Legislative pressures, including those continuing to arise as a result of the implementation of the National Living Wage.
- Existing savings initiatives that are not expected to be achieved, including those related to services provided or commissioned for older people and people with learning disabilities.

In response to these pressures, the Council has identified a number savings initiatives, the successful delivery of which will be critical to ensuring it is able to meet the challenges it faces and succeed in delivering against its strategic ambition.

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Improvements & Investments	£4.8m	£0.4m	£0.0m	(£0.5m)	£4.7m
Pressures	£18.4m	£9.0m	£6.5m	£0.2m	£34.1m
Savings	(£32.4m)	£0.0m	(£4.9m)	(£0.5m)	(£37.8m)
Transformation Savings Re- profiled	£15.0m	(£8.5m)	(£3.5m)	(£3.0m)	£0.0m
Net Pressure / (Saving)	£5.8m	£0.9m	(£1.9m)	(£3.8m)	£1.0m

OCC – Overall Financial Position 2018/22 (as at 19th December 2017)

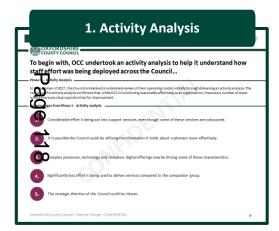
Central to ensuring that OCC is able to respond to the financial challenges it faces is the need for the Council to develop an operating model that is efficient and effective, and facilitates a transformation in the way in which it delivers, or commissions, services for residents.

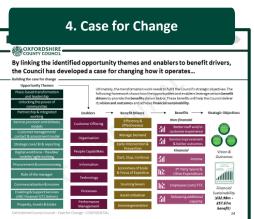
This case for change presents a compelling argument, based on a detailed operating model assessment (undertaken over the course of the Autumn 2017), for how the Council can transform their current operating model in order to release significant financial and operational benefits.

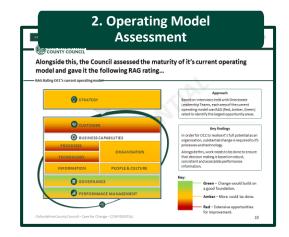


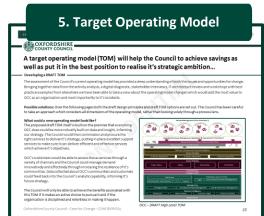
In order to address these challenges, OCC has undertaken an operating model assessment to produce a case for change setting out how it needs to operate in the future...

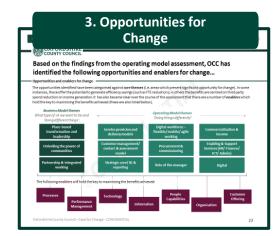
Structure of the case for change















To begin with, OCC undertook an activity analysis to help it understand how staff effort was being deployed across the Council...

Phase 1 – Activity Analysis

In the summer of 2017, the Council embarked on a detailed review of their operating model, initially through delivering an activity analysis. The results of this activity analysis confirmed that, while OCC is functioning reasonably effectively as an organisation, there are a number of areas where there are clear opportunities for improvement.

Key messages from Phase 1 - Activity analysis



Considerable effort is being put into support services, even though some of these services are outsourced.



It is possible the Council could be utilising the information it holds about customers more effectively.

- 3. Complex processes, technology and immature digital offerings may be driving some of these characteristics.
- 4. Significantly less effort is being used to deliver services compared to the comparator group.
- 5. The strategic direction of the Council could be clearer.



Alongside this, the Council assessed the maturity of it's current operating model and gave it the following RAG rating...

RAG Rating OCC's current operating model-



Approach

Based on interviews held with Directorate Leadership Teams, each area of the current operating model was RAG (Red, Amber, Green) rated to identify the largest opportunity areas.

Key findings

In order for OCC to realise it's full potential as an organisation, substantial change is required to it's processes and technology.

Alongside this, work needs to be done to ensure that decision making is based on robust, consistent and accessible performance information.

Key:

Green – Change would build on a good foundation.

Amber – More could be done.

Red – Extensive opportunities for improvement.



The Council continued to assess it's current operating model through a further phase of work...

Phase 2 - Operating Model Assessment

Financial analysis and high level operating model design

Further analysis of the opportunity areas identified during the activity analysis.

Strategic support to programme sponsor

Provision of strategic advice and capacity to the operating model assessment programme sponsor.

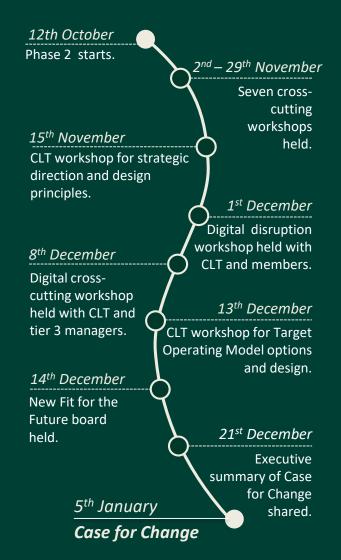
PMO mobilisation and support

Review of current transformation programme and development of a revised programme of activity.

- Third party spend analysis

 Detailed examination of spend with third parties to identify opportunities to drive future efficiencies and ensure value for money.
- Digital diagnostic and vision
 In depth assessment of current approach to digital and support to develop future digital vision.

Continuing the operating model assessment journey



Through completing this second phase of work, the Council gathered further insight into the strengths and weaknesses of it's current operating model...

Linking the key messages from Phase 1 with the findings from Phase 2

Key messages from Phase 1

Findings from Phase 2



Considerable effort is being put into support services, even though some of these services are outsourced.

The Council does not consistently demonstrate leading practice in the delivery of support services.



It is possible the Council could be utilising the information it holds about customers more effectively.

Decision making across the Council is not robustly informed by data and insight.



Complex processes, technology and immature digital offerings may be driving some of these characteristics.

The Council has not fully exploited the potential of digital technology.



Significantly less effort is being used to deliver services compared to the Council's comparator group.

There is duplication and fragmentation of staff effort across all areas of the Council.



The strategic direction of the Council could be clearer.

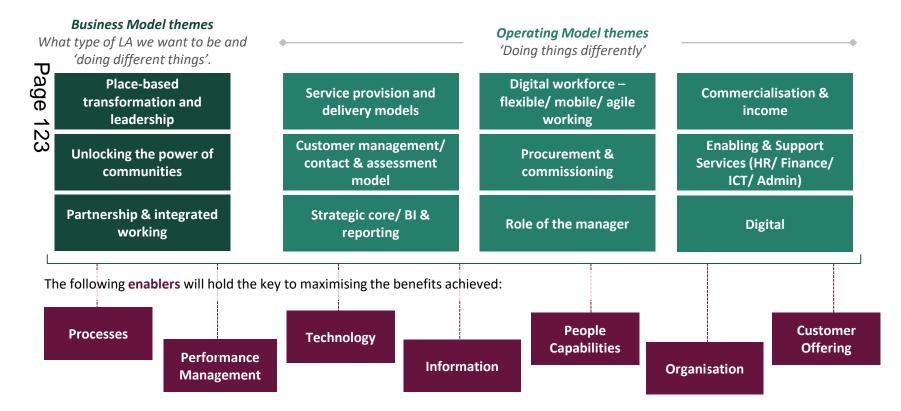
The Council is not clear on how it will achieve its strategic ambitions.

Addressing the **challenges and opportunities** identified through the operating model assessment will provide the Council with **a strong foundation** upon which to achieve its strategic ambitions.

Based on the findings from the operating model assessment, OCC has identified the following opportunities and enablers for change...

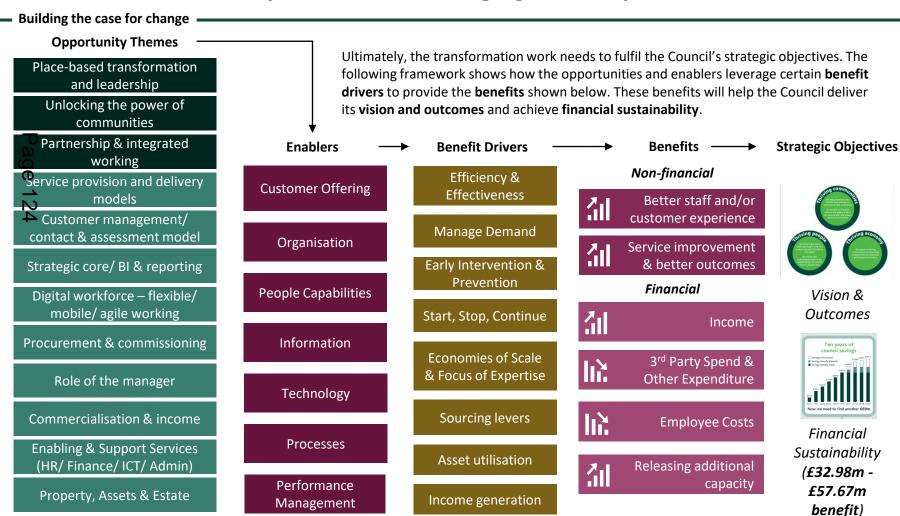
Opportunities and enablers for change

The opportunities identified have been categorised against **core themes** (i.e. areas which present significant opportunity for change). In some instances, these offer the potential to generate efficiency savings; in others the benefits are centred on third party spend reduction or income generation. It has also became clear over the course of the assessment that there are a number of **enablers** which hold the key to maximising the benefits achieved (these are also listed below).





By linking the identified opportunity themes and enablers to benefit drivers, the Council has developed a case for changing how it operates...





By addressing the opportunity themes, enablers and benefit drivers, OCC has the potential to deliver the following benefits...

Benefit categories

Moving to a new Operating Model will accelerate the benefits of It is estimated that addressing the more challenging areas identified in the Council's operating Operating model transformation 1 OCC could achieve a model assessment. The level of savings / capacity released will depend on minimum **£21m** of the TOM options chosen. benefit, but there is the potential to achieve more than this In addition to designing and implementing a new operating model, there Page (up to **£33m**) Quick wins will be a number of opportunities that can be implemented at pace alongside accelerated delivery of targeted components of the new TOM. 125 It is estimated OCC A wholesale review of procurement and contracts should yield significant could achieve at least benefits for the Council. Based on experience elsewhere and the work Strategic sourcing & process £8m of benefit, but already completed under third party spend review workstream, it is 3 improvements there is the potential estimated the Council could achieve at least £8m of benefit on its third to go achieve more party spend. than this (up to £17m) It is estimated OCC There are a number of opportunities for non-people related initiatives to could achieve at least drive additional income from the Council's services. This could include a £4m of benefit, but Commercialisation review of fees and charges, service cost recovery, or other trading or there is the potential commercialisation opportunities. Based on experience elsewhere, this to achieve more than could generate at least an estimated £4m of additional benefit. this (up to £8m)

1. Executive Summary

There are opportunities for the Council to deliver savings, or to release capacity, through transforming the shape and structure of it's operating model...

Operating model transformation & quick wins (minimum benefit scenario shown)

Activity area	Benefit driver	Existing cost	Transformed Cost	Benefit
w Gustomer Management	 Consolidation of contact Leveraging technology 	£29m	£22m	£7m
Service delivery	 Single view of the individual enabled by technology 	£33m	£32m	£1m
Customer support	Mobile technologyCommunity engagement and self-serve	£34	£26m	£8m
Strategic core	Standardising ways of working	£25m	£23m	£2m
Support services	Consolidation of activityIntegrated technology	£24m	£21m	£3m
Operating Model Transfo	ormation Savings - Total	£145m	£124m	£21m

Please note that all numbers are rounded to the nearest whole number.

As well as through changing the way it spends money with it's external suppliers...

Strategic sourcing

Category	In scope	Priority	Number of	Overall Savings Low	Overall Savings High	Overall Savings Low	Overall Savings High
	spend		opportunities	£		%	
Adults Social Care	£167.9m	Н	5	£3.46m	£6.93m	2%	4%
Children's Social Care	£34.0m	Н	4	£1.10m	£2.12m	3%	7%
Onstruction, Repairs & OMaintenance	£2.1m	М	2	£0.08m	£0.23m	4%	11%
-Facilities Management	£12.1m	Н	2	£0.82m	£1.63m	7%	13%
Human Resources	£12.9m	н	3	£0.37m	£0.85m	3%	6%
Environmental Services	£10.1m	M	2	£0.11m	£0.23m	1%	2%
ICT	£8.8m	ТВС	2	£0.13m	£0.25m	1%	3%
Vehicles & Transport	£9.4m	М	2	£0.22m	£0.43m	1%	3%
Sourcing savings	£257.3m	-	22	£6.28m	£12.76m	2%	5%
Process improvements	£386.9m	-	-	£1.50m	£3.90m	2%	4%
Total 3rd party spend savings	£386.9m	-	-	£7.78m*	£16.66m	2%	4%

Finally, there are opportunities for the Council to generate additional income from some of the services it provides to residents...

Commercialisation

	Topic	Rationale	Benefits	Ease of delivery	Indicative Value
- 990	Strategy U	The Council should put in place a clear and well communicated commercial strategy, underpinned by robust data and evidence and setting objectives with which service and business unit targets align.	Stronger decision making, realistic targets, activity focused on the right things, increased income	А	Medium
	Skills	A review should be carried out to determine the skills and capacity needed to deliver the new commercial strategy. The review should assess the extent to which these are already in place, how they can form part of future recruitment strategy and what immediate gaps the Council might need to fill.	Capability to deliver commercial strategy, increased income, sustainable workforce	А	Medium
	Process	The Council should implement clear and simple processes to support service cost recovery and commercial ventures e.g. council-wide fees and charges register.	Operational excellence, income maximisation	G	Low
	Cost recovery	Understand current cost of services and whether more can be done to recover costs. This could include increasing associated fees and charges and exploring new service models and/or approaches.	Increased income, consistency and transparency	R	Medium
	Delivery	Develop a portfolio of commercial ventures which spreads risk and is properly governed and for which there are clear objectives (e.g. could be income generating where this supports corporate objectives).	Increased income on a sustainable basis as the risk is spread, maximising the Council's assets and harnessing staff skills and ambitions	R	High

If the Council implements all of the opportunities identified, it could expect to achieve the following cost / benefit profile over the next four years...

Cost / Benefit Profile

It is anticipated that implementing the opportunity themes identified through this operating model assessment, will deliver between £33m and £58m of on-going benefits over the next four years.

The implementation programme (Phase 4) will require an estimated net capital investment in year 1 of £2.38m, but will turn cash positive in year 2.

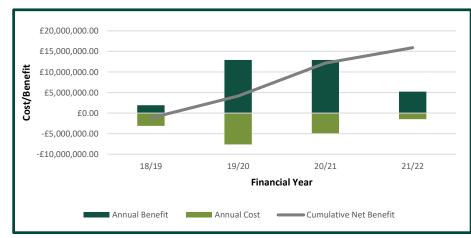
This estimated required investment is made up of technology, people sts such as training and change management and implementation apport. A proportion, possibly even all of these one off costs could be expitalised.

the estimated investment costs are displayed in the table below (and they are profiled across the period in the table opposite):

Technology	People	External	Total
(e.g. new systems)	(e.g. backfill)	Support	
£6m	£3m	£8m	£17m

These one off capital investments will enable the Council to construct and implement its TOM, as well as to implement the new ways of working and technologies that are required to deliver the savings identified in this case for change.

The graph to the right shows the benefit off the baseline over a four year period, using the minimum benefit scenario. Following the detailed design work (phase 3), a refined benefits position will be produced based on further due diligence work.



	18/19	19/20	20/21	21/22	Total
Annual benefit	£2m	£13m	£13m	£5m	£33m
Annual capital cost	-£3m	-£8m	-£5m	-£1m	-£17m
Annual net benefit	-£1m	£5m	£8m	£4m	-
Cumulative net	-£1m	£4m	£12m	£16m	-

Please note that all numbers are rounded to the nearest whole number.

Cost assumptions

- All costs are based on a high level assessment and further refinement work / due diligence will be required in the next phase.
- Technology costs exclude some costs already identified by OCC (e.g. Liquid logic implementation - £3.0m and LGSS - £180.0k), we have also assumed OCC will expand the functionality of GOSS.
- Redundancy costs have been excluded from the cost estimate calculation
- Any costs associated with the detailed design and implementation planning phase (phase 3) have also been excluded.

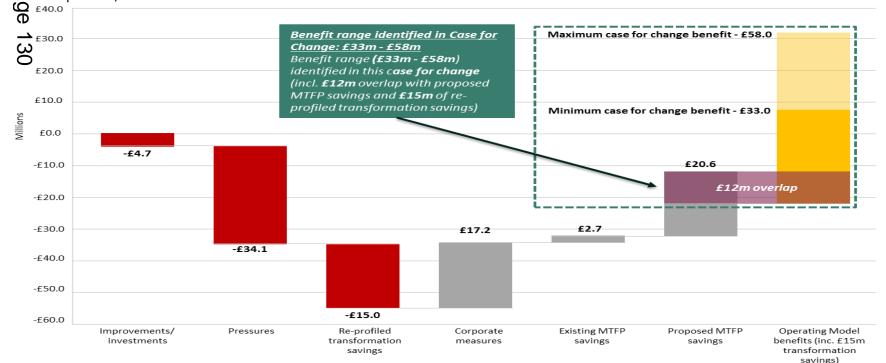


The Council has already begun its transformation journey and the benefits identified in this Case for Change build on the work completed so far...

Linking the benefits identified to the Council's current financial plan

The Council has identified that over the next four years it faces cumulative budgetary pressures of £34.1m and that it needs to make £4.7m of investments and improvements over the same period. Alongside this, the Council has re-profiled £15m of expected transformation savings into the period 2019/22.

In response to this challenge, the Council has identified a number of ways that it can address these pressures. The benefit opportunities set out in this Case for Change build on the existing transformation activities the Council has undertaken and it is recognised that there is some cross oyer in terms of the benefits identified. The extent of this overlap and the residual impact of the identified savings on the Council's overall



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This will allow the Council to address the immediate financial pressures it faces and invest the additional benefits delivered in the development of alternative delivery models that will be more sustainable in the future...

What can the Council do with the benefit?

Pursuing the available benefits should not be thought of as a simple cost-cutting measure. There are multiple routes to improving the Council in the short and long term, delivering improved services and longer term sustainability for the Council.

Release cash to deal with existing financial pressures



The Council has identified that it needs to deliver £15.0m of savings through transforming the way it operates over the period 2018 – 2022 in order to achieve a balanced budget position.

The cumulative net benefit figure identified in the development of this case for changing the way in which the Council operates includes the £15.0m transformation savings required to achieve a balanced budget position in 2021/22.

Reinvest in alternative delivery models to achieve long term sustainability



If the Council is successful in delivering the full range of benefits identified in this case for change, then it will be a position where it has some choices about what to do with the residual financial benefit delivered.

A key area for the Council to consider is re-investing a proportion of any residual financial benefit in the development of alternative delivery models, for core services, with the aim of achieving services that are both operationally and financially sustainable in the longer term. This would also put the Council in the strongest possible position to deliver against it's stated strategic ambition of creating, and maintaining, "Thriving communities for everyone in Oxfordshire".



At the same time as securing a more sustainable future for the Council, implementing a new operating model would improve resilience and help to achieve better outcomes for local residents...

A 21st Century model of local government

In addition to the significant financial benefits that could be achieved, by focusing on delivering a holistic transformation of its current operating model, the Council could expect to secure a number of other benefits. The Council has an opportunity to develop a model of local government that is streamlined, entrepreneurial, agile, innovative and ambitious. This more productive model of public administration has the potential to be used as the template for the development of new councils elsewhere in the country.

What will this mean for customers?

Stomers will be more empowered to resolve their own issues, accessing services and information via a state of the art online self service portal. For more complex enquires, specialists will have more time to dedicate to service users, working with them to consider their needs in separater detail. The customer experience will be consistent that which they experience in other aspects of their lives and will live up to their expectations.

What will it mean for services?

Services performance will be enhanced. Processes will be more consistent and capacity will be released to help services focus on managing demand more effectively, using predictive analytics to anticipate community needs and ensure their reasonable expectations are met. The resilience of some of the Council's more critical services – such as Adult Social Care and Children's Services will be improved, reducing the likelihood of service failure and improving the capacity of these types of services to manage demand more effectively.

What will it mean for staff?

Staff will feel empowered to help the Council deliver its ambitions. They will be more innovative, more commercially astute and be trusted to take the right sort of risks in pursuit of service improvement. The Council will feel less siloed, with a more obvious culture of collaboration. The workforce will be more agile, relying on technology that helps them fulfil their duties simply and effectively.

What will it mean for Oxfordshire and its communities?

The transformation of the Council's operating model will exploit the local advantages Oxfordshire possesses. It will offer opportunities for local tech start ups and data scientists to engage with the Council, to help it solve complex problems and to become part of a wider ecosystem of public sector innovators and suppliers. Communities will also benefit, receiving more support to help solve their own issues and improve outcomes within their localities.



A target operating model (TOM) will help the Council to achieve savings as well as put it in the best position to realise it's strategic ambition...

Developing a DRAFT TOM

The assessment of the Council's current operating model has provided a deep understanding of both the issues and opportunities for change. Bringing together data from the activity analysis, a digital diagnostic, stakeholder interviews, IT architecture review and workshops with best practice examples from elsewhere we have been able to take a view about the operating model changes which would add the most value to OCC as an organisation and most importantly to it's residents.

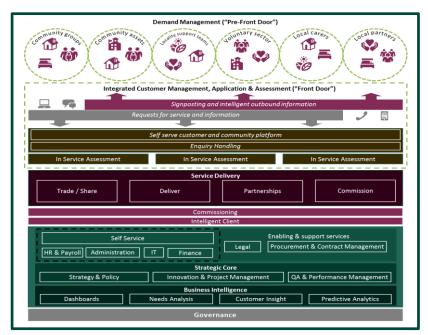
Possible solutions: Over the following pages both the draft design principles and draft TOM options are set out. The Council has been careful to take an approach which considers all dimensions of the operating model, rather than looking solely through a process lens.

hat could a new operating model look like?

The proposed draft TOM itself is built on the premise that everything OCC does could be more robustly built on data and insight, informing our strategy. The Council could then commission and procure the right services to deliver it's strategy, putting in place excellent support services to make sure it can deliver efficient and effective services which achieve it's objectives.

OCC's customers would be able to access these services through a variety of channels and the Council could manage demand innovatively and effectively through increasing the resilience of it's communities. Data collected about OCC's communities and customers could feed back into the Council's analytic capability, informing it's future strategy.

The Council will only be able to achieve the benefits associated with this TOM if it makes an active choice to pursue it and if the organisation is disciplined and relentless in making it happen.



OCC - DRAFT High Level TOM

1. Executive Summary

It is important to note that in starting to think about its TOM the Council have made a clear commitment to harnessing the power of digital and disruptive technologies to help it achieve its strategic ambition...

Harnessing the power of digital and disruptive technology

While the operating model assessment summarised in this case for change presents a compelling argument for how OCC can transform its operating model it has also served as an opportunity for Members and Officers to think about how the Council can harness the power of digital and disruptive technologies in achieving its strategic ambition.

Wer the course of 2 all day workshops focusing on Digital Disruption d Digital Cross-Cutting Members and Officers were able to consider the impact that digital and disruptive technologies would we, and in many cases are already having, on the residents of Oxfordshire.

As an outcome from these sessions the Council now has the following:

- An understanding of the current state of digital & disruptive technology trends and most importantly how these will (are) already impacting residents.
- **2** A clear view of how these technologies can help the Council achieve its strategic ambition.
- A direction of travel for its future operating model that is based around harnessing the power of digital and disruptive technology.









The concepts and themes shown above represent just some of the ways that digital and disruptive technologies can be harnessed by the Council in the design and delivery of its TOM.

Looking at the DRAFT TOM in more detail...

DRAFT TOM

oluntary secro ocal carers Integrated Customer Management, Application & Assessment ("Front Door") Signposting and intelligent outbound information Requests for service and information Self serve customer and community platform **Enquiry Handling** In Service Assessment In Service Assessment In Service Assessment Service Delivery Trade / Share Deliver Partnerships Commission Commissioning Intelligent Client Enabling & support services Self Service Procurement & Contract Management Legal HR & Payroll Administration Finance Strategic Core Innovation & Project Management Strategy & Policy QA & Performance Management **Business Intelligence** Dashboards **Needs Analysis Customer Insight Predictive Analytics**

Governance

Demand Management ("Pre-Front Door")



OCC's TOM will be built on a set of design principles which will guide the Council as it designs out each layer and component...

DRAFT Design principles

Operating Model Component	DRAFT Design principle		
Customer Offering ပ လ	 Residents are experts in their own lives - they are the best to identify outcomes, inform service design and help themselves within their community. We will hold a 'single record' for each of our customers making it easier for us to understand our communities, manage demand and offer support/ intervention based on need. 		
Processes	 We will design processes around the user and their experience, enabling self-service at every opportunity. We will be transparent about the ways in which we manage risk. 		
Technology	 Systems, applications and infrastructure will be designed around business need, with a consistent approach to functional requirements. We will ensure that technology is always an enabler, not a hindrance. 		
Information	Our decisions will be informed by sound business intelligence and data analytics		
Organisation	 We will provide transparency, clarity and consistency on roles and expectations across the organisation Accountability will sit at the most appropriate structural and community level We will consolidate strategic and common functions with a clear purpose, maintaining flexibility in local delivery 		
People Capabilities	We will enable all our people to use their creativity to develop innovative solutions to the challenges we face.		
Performance Management	 We will measure the right things, through a consistent performance management framework, from corporate outcomes to individual performance 		

It is important to note that there is no single answer when it comes to designing an operating model and that the Council faces a number of choices...

TOM choices

The table below sets out the key issues from the current operating model assessment against the components of the future operating model. It also shows some of the potential solutions and some of the potential options that need to be explored and agreed.

TOM component	Assessment of current operating model	Direction of travel / choices
Data and Insight	Data and insight does not fully underpin the organisation and does not draw on interactions with customers and partners.	Consolidated data and insight team
atrategic Core	Effort spent on strategic functions is highly dispersed and duplicated across the organisation.	Consolidated strategic core function.
Procurement &	Procurement activity is highly dispersed and duplicated, with unclear governance and a lack of structure.	 Centre of Excellence Centre-Led Hub and Spoke
Enabling & support services	Internal service processes such as HR and finance are clunky and are not supported by state of the art technology.	Consolidated support services with improved processes and technology.
Service Delivery	Service delivery occupies less of the organisation's effort than it should and the workforce isn't as digital and flexible as it could be.	Flexible and mobile workforce using a range of delivery models.
Customer Contact and Assessment	Customer contact and assessment has a fragmented structure and approach.	Contact 1. Single Front Door 2. Integrated Customer Management Assessment 1. In service assessment 2. Consolidated assessment hub
Community Resilience	Communities are not adequately supported to be resilient for the future, with assets such as libraries and digital not fully exploited to facilitate this.	 Asset-based approach Digital Platforms approach Partnership approach

implementation. It is during this stage

that the estimated implementation costs

referred to on slide 19 could be incurred.

Duration: c. 18 months - 2 years



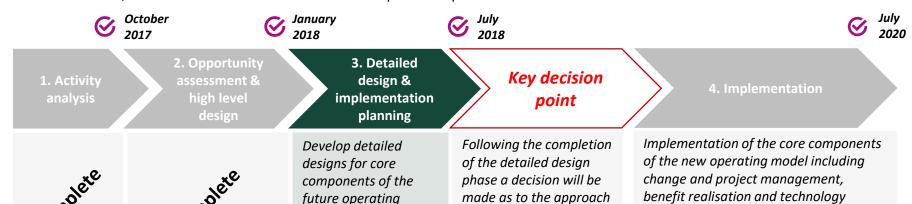
This case for change presents a compelling argument for how OCC can transform it's operating model. The next stage of the journey will be to develop a detailed design for the Council's future operating model...

The next stage of the journey

The Council has taken significant steps towards becoming a more efficient and effective organisation in the future. The activity analysis enabled the Council to look at itself in a holistic manner, to understand how its effort and resource were being deployed and to identify broad opportunities for improvement.

The subsequent operating model assessment and high level design injected pace and discipline into the transformation activity. This work sessed and built upon the opportunities identified in Phase 1 and developed a clear business case for change.

The Council now needs to harness the momentum achieved in Phase 1 & 2 by developing a detailed design for the Council's future operating model. This will involve broad engagement with staff and stakeholders to ensure that the momentum that has been built up does not sipate. The outcome of this phase of work will be a clear view of how the Council's functions will be organised in the future, what this will mean for services, customers and stakeholders and a detailed plan for implementation.



the Council will take to

the Council wants to

deliver this.

implementation and how

model and the

implementation.

Duration: c. 6 months

approach to

In order to capitalise on the work it has undertaken, and to achieve significant financial and operational benefits, the Council now needs to move into designing the detail of its TOM...

Designing the TOM

A rapid three stage approach to building the detailed design of OCC's future operating model is shown below. In addition further information is shown on the proposed approach for delivering savings / realising capacity for re-investment and operational benefits through digital solution design as well as through strategic sourcing.

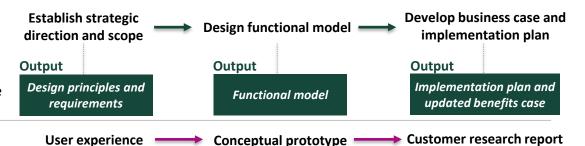
The Council will only be able to achieve the benefits associated with this TOM if it makes an active choice to pursue it and if the organisation is disciplined and relentless in making it happen.

Digital operating model design

Acconsistent approach will be applied to design different layers of the **future digitally enabled operating model.** Precise requirements and functionality for each layer will be defined, then the implementation will be planned.

Rapid solution design and delivery

To secure some early benefits a rapid solution design approach will be deployed. This will aim to achieve a cost or time efficiency, or service improvement.



Consider the right **User Experience** for each opportunity.

Create a **prototype** focused on key customer journeys and concepts developed in the User Experience thinking.

Test the prototype with customers and document findings in a customer research report.

Procurement support

Phase 2 identified a number of opportunity areas in third party spend to achieve savings. A number of strategic savings plans will be designed and delivered to accelerate the delivery of early financial benefits.

Produce **Strategic Savings Plans** (SSP) for each initiative.



Implement each approved initiative to realise the savings.

The individual stages of designing out the Council's operating model are set out below...

Stages of detailed design

To date the project has seen very good engagement from across the Council. As included in our recommendations, in order to maintain that momentum and support, we are proposing that you rapidly mobilise a team (and subsequent governance arrangements) and start the detailed operating model design. Below are the stages of a design:



Designing the new operating model

the themes, design principles, the Council's corporate plan and other inputs such as the distribution will be refined and used to set the top down direction for the design.

This stage involves key engagement with all levels of the wider organisation, they will be engaged through current and future workshops to redesign how their functions will be delivered in line with these.

Key activities:

- Review and agree TOM options
- Prioritise and agree areas for accelerated design and quick wins
- Design each of the themes
- Complete current/future state workshop design for each service / business unit.



Enablers

The new operating model will require a number of enablers to be in place. The activity in this stage of the approach is to define what will need to be in place to redesign the organisation. Both at a 'whole Council' level and a service level.

These enablers are: processes, performance management, technology, people capabilities, organisation and customer offering.

Key activities:

 Requirements review, gap analysis and investment required (skills, technical architecture, facilities infrastructure).



A blueprint for the organisation

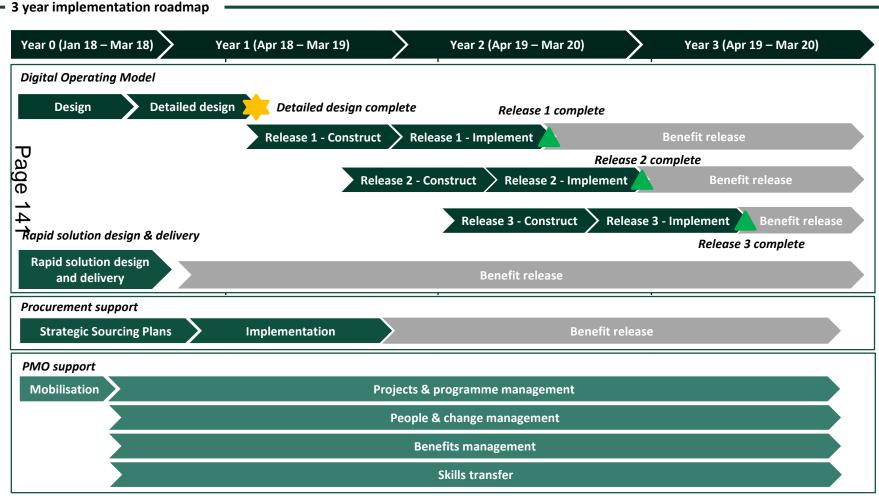
The outputs from the design workshops are brought together to define the target shape and size of the organisation (a 'blueprint'). This stage will also give a first view of the benefits that can be realised from the implementation programme.

Key activities:

- Develop an organisational structure
- Develop target enterprise architecture
- Design future governance model
- Define future size and shape of the organisation
- Update business case
- Agree next steps, implementation plan and roadmap



Once the Council has completed the detailed design of its TOM it can then move forward into implementation...



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