

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 13 January 2021 commencing at 2.30 pm and finishing at 5.17 pm

Present:

Voting Members: Councillor Nick Carter – in the Chair

Councillor Tony Ilott (Deputy Chairman)
Councillor Paul Buckley
Councillor Dr Simon Clarke
Councillor Charles Mathew
Councillor D. McIlveen
Councillor Glynis Phillips
Councillor Roz Smith

Non-voting Members Dr Geoff Jones

By Invitation:

Officers:

Whole of meeting Sarah Cox, Chief Internal Auditor; Steve Jordan, Corporate Director Commercial Development, Assets and Investment; Glenn Watson, Principal Governance Officer; Lorna Baxter, Director for Finance; Hannah Doney, Head of Corporate Finance; Anita Bradley, Head of Law and Governance; Lucy Tyrrell, Committee Officer

Part of meeting

Agenda Item	Officer Attending
5	Tim Chapple, Treasury Manager
8	Tim Spiers, Director of IT, Digital and Transformation; Asher Sims, IT and Cyber Security Officer
9	Jeremy Richards, Interim Head of Procurement
10	Paul Fermer, Assistant Director of Community Operations

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

1/21 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

There were no apologies for absence.

Councillor Jeanette Matelot advised she will continue to attend the Committee on a temporary basis.

2/21 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE

(Agenda No. 2)

There were no declarations of interest.

3/21 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 3)

None received.

4/21 MINUTES

(Agenda No. 4)

The minutes of 11 November 2020 were agreed.

The comments received regarding the confidential minute were noted and amended as agreed.

5/21 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2021/22

(Agenda No. 5)

Tim Chapple, Treasury Manager introduced the Treasury Management Strategy and Annual Investment Statement for 2021/22 outlining the Council's risk appetite and strategic objectives in terms of its debt and investment management for the financial year 2021/22.

The following adjustments were made to the report taking into account forecast updates as follows:

- Paragraph 26 – the central case is for the 10-year and 20-year to rise to around 0.6%, rather than the 0.5% previously stated, rising to 0.9%, rather than the 0.75% stated in the report.
- Paragraph 29 – borrowing rates were forecast in the report to be 0.80 – 1.55%, however this has now risen to 0.90 – 1.70% in the short to medium term.

Tim Chapple responded to Members' queries as follows:

- There is speculation in the media of negative interest rates, which cannot be ruled out, however these are viewed as the last resort by the Bank of England.
- Instruments with a negative yield would be avoided if possible and replaced with rolling local authority deposits. Positive or zero yielding call accounts could also be used instead of negative money market fund

- The Local Government Treasury Management is bound by the code of practice and security is prioritised, there are not a large number of products available that would fulfil the security criteria whilst ticking all the boxes on environmental issues, therefore the market needs to move with us to satisfy that type of investment.
- At the end of 2019, the amount to invest in strategic funds was agreed and that is the amount currently held.
- We will extend a small credit facility to OxLEP. As the accountable body, we will ensure there is sufficient funding for OxLEP to be able to repay the borrowing, as the funding reduces, we will have first call on future business rates as security.
- As part of the capital financing requirement, there is an extra £200m worth of borrowing, to fund the capital programme. Treasury Management will make a decision as to whether this is internal or external borrowing, and information on this will be included in the mid-term review in future monitoring reports.

Councillor Charles Mathew asked if enough consideration had been given to investing larger amounts in the strategic funds? Tim Chapple responded that core cash balances were agreed at the end of 2019 and that the amount currently invested is appropriate. Exposure comes with risk and would not want to be in a position where we were forced to divest away from long-term external funds and risk having to sell below purchase price as this would have to be funded by the revenue budget. Lorna Baxter, Director of Finance stated that whilst she agreed with Tim Chapple's comments, the Treasury Management Strategy Team could consider other options again, and report back to the Committee. The council would not borrow above its borrowing requirement.

Councillor Roz Smith requested that for the next report, feedback on investments that have been considered and rejected would be interesting for Members.

RESOLVED to endorse the Treasury Management Strategy for 2021/22 as outlined in the report.

6/21 FINANCIAL MANAGEMENT CODE

(Agenda No. 6)

Hannah Doney, Head of Corporate Finance introduced the Financial Management Code of Practice Compliance Assessment developed on behalf of the Ministry of Housing, Communities and Local Government in the context of increasing concerns about the financial resilience and sustainability of local authorities. She further highlighted the completed compliance assessment and actions noted included within the annex to the report.

Hannah Doney responded to Members' questions as follows:

- Following the Redmond review into external audit and how the local authority published their response, it is a fair assessment that we will pay more for external audit but remains unclear as to whether we would receive more in return. However, the financial management code does ensure a means for measuring external audit and the Council has adopted a Business Partnering

model that supports managers to deliver financially sustainable services by providing strategic advice and support.

- The forecast level of General Balances is reported monthly and is accessible for Members.
- There is a Local Code of Governance in place, however this does not include a formal review point which is currently being actioned alongside the formal review currently taking place.

Resolved to note the Summary Compliance Assessment for 2020/21 (Annex 1).

7/21 INTERNAL AUDIT PLAN

(Agenda No. 7)

Sarah Cox, Chief Internal Auditor presented the report which provided an update on the Internal Audit Service including resources, completed and planned audits. She further highlighted the positive joint working practices across both Oxfordshire County Council and Cherwell District Council, and that with the additional posts in place, is creating and maintaining a sustainable team.

Sarah Cox responded to Members' queries as follows:

- Since the last update at the September A&G Committee meeting, four audits have been completed to final report stage and no red reports issued.
- The percentage of management actions implemented is higher than the previous year, however this reflects the issues surrounding recruitment which have now been rectified.
- Schools are audited periodically, however at the requirement of Section 151, the Director of Children's Services requested that Carterton Community College be audited to provide assurance regarding financial processes.
- The next update at the May Committee meeting will highlight what we are covering for the next year, including how this is to be resourced. It will also include the split between OCC and CDC audits and resourcing thereof.

Councillors wished to thank Sarah Cox and her team for the work they undertake on behalf of Oxfordshire residents.

Resolved to note the progress with the 20/21 Internal Audit Plan and the outcome of the completed audits.

8/21 CYBER SECURITY/CYBER SCAMS

(Agenda No. 8)

Tim Spiers, Director of IT, Digital and Transformation and Asher Sims, IT Security Officer introduced themselves to the Committee and presented their report which summarised the key points regarding Oxfordshire County Council's Cyber Security position. Tim Spiers highlighted that although we are in a strong position with the dedicated IT Security Officer position working across both Oxfordshire County Council and Cherwell District Council, they are not complacent, as is an ongoing issue that requires constant monitoring.

Tim Spiers and Asher Sims responded to Members' questions as follows:

- Although data security best practice is being followed, it is a moving target, however with the dedicated IT Security Officer in place, we can maintain focused on any threats that could arise.
- Whilst some technology providers provide insurance as part of their package, they do not tend to be the best producers of software, however we could explore insurance separately to this.
- There will be an increased focus on staff and Member awareness with improved and repeated communications, creating a culture where staff take responsibility for their own security, and formal briefings will follow this.
- Whilst we continue to use IT predominately in our everyday working lives, it is expected that providers will enhance their products making them easier to use, and it is hoped that changes can be made to those working across organisations to attain a system of easier access.

RESOLVED to note the report.

9/21 PROVISION CYCLE UPDATE

(Agenda No. 9)

Jeremy Richards, Interim Head of Procurement gave a verbal update on the Provision Cycle since the previous A&G Committee meeting. He highlighted that the system has now gone live, however there is still an amount of work to be done as follows:

- We are currently working with service areas within the organisation at ways we embed ways of working around the provision cycle.
- We are still working with Price Waterhouse Cooper to further implement the provision cycle.
- A handbook has been developed which covers the 23 stages within the provision cycle.
- We are driving efficiency to ensure we are delivering best value whilst providing protection.
- We are addressing actions from the previous audit.
- Recruitment has been completed and positions will be in place shortly, consisting of internal and external applicants.
- Establishing a team to ensure there is a robust structure in place, designed to ensure we are working at a strategic level.

Jeremy Richards responded to Members' queries as follows:

- There are two Procurement Officers working towards the CIPS qualification on the apprenticeship scheme, and we are looking to recruit two more apprentices, both working towards this qualification.
- An estimate of expected savings achieved will be presented at the March A&G Committee meeting.
- The handbook will be very detailed, however there will be a lighter version for those not working directly in procurement.
- Communication and how we communicate has been included within the provision cycle and the 23 steps involve development strategies, therefore one of those steps will be engagement with Members.

10/21 HIGHWAYS CONTRACT UPDATE

(Agenda No. 10)

Paul Fermer, Assistant Director for Community Operations, read to his report which gave a quick update on Governance arrangements and the new payment management system with Skanska. He further advised Members that the transition to the Causeway system, which should provide robustness and greater resilience, will not go live until it has been determined that it is working effectively.

Paul Fermer answered Members' questions as follows:

- Whilst the internal audit update has actions outstanding beyond their due date, of these three are completed and five are outstanding due to the nature of the new system. These are being monitored closely, with regular updates to ensure progress is regularly tracked.
- The Alliance Board is the task and finish group relating to the extension of the contract, of which Jeremy Richards is a part of, and will be stood down when the extension is or isn't agreed.
- An interim position will be deployed to oversee the work regarding the extension of the contract, however, will not be an expansion on this contract.
- We are undertaking due diligence regarding the sale of Skanska, and in terms of impact, are working towards understanding the new company's business model, however the contract will not change, and the transition will be similar to those we have undertaken previously.
- Regular meetings are held with other Local Authorities to ensure we are sharing information and utilising that knowledge; however, we will undertake our own checks.
- The Framework Alliance Agreement will ensure that Skanska are held to account regarding the extensions, however the dates of those will be rechecked.

11/21 AUDIT WORKING GROUP REPORT

(Agenda No. 11)

Sarah Cox, Chief Internal Auditor presented the report which summarised the meeting of the Audit Working Group meeting held on 16 December 2020. Dr Geoff Jones advised that the item, Review of Procurement Award Process will be referred to the A&G March meeting following consultation with the Director of Law and Governance.

RESOLVED to note the report.

12/21 MEMBERS ADVISORY PANEL

(Agenda No. 12)

Members had before them the report by the Director of Law & Governance and Monitoring Officer, produced by the Interim Monitoring Officer at that time, providing the outcome of the Members' Code of Conduct Complaint concerning Councillor Liam Walker. Members were satisfied that procedures had been followed and that the Panel had sight of the Independent Person's recommendation prior to their meeting.

RESOLVED to note the decision of the Interim Monitoring Officer with regard to a Members' Code of Conduct Complaint concerning Cllr Liam Walker.

13/21 WORK PROGRAMME
(Agenda No. 13)

The following changes/additions were agreed:

- 03 March 2021 – Review of Procurement Award Process
- 03 March 2021 – Provision Cycle Update
- 03 March 2021 – Highways Contract Update

..... in the Chair

Date of signing