



To: Members of the Audit & Governance Committee

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

**Wednesday, 13 January 2021 at 2.00 pm**

**Held virtually via MS Teams**

Please note that due to guidelines imposed on social distancing by the Government, the meeting will be held virtually.

If you wish to view proceedings please click on this [Live Stream Link](#).

However, that will not allow you to participate in the meeting.

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

Yvonne Rees  
Chief Executive

January 2021

*Committee Officers: Lucy Tyrrell, Tel 07741 607824; E-mail:  
lucy.tyrrell@oxfordshire.gov.uk*

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**Membership**

Chairman – Councillor Nick Carter  
Deputy Chairman - Councillor Tony Ilott

*Councillors*

Paul Buckley  
Dr Simon Clarke  
Charles Mathew

D. McIlveen  
Glynis Phillips  
Roz Smith

Vacancy

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*Co-optee*

Dr Geoff Jones

**Notes:**

- ***There will be a pre-meeting held virtually on Monday 11 January 2021 at 9.30 p.m. for the Chairman, Deputy Chairman and Opposition Spokesman.***
- ***There will be a private Treasury briefing for all Councillors at 1.00 p.m. on the day of the Committee meeting.***
- ***Date of next meeting: 3 March 2021***

## Declarations of Interest

### The duty to declare.....

Under the Localism Act 2011 it is a criminal offence to

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

### Whose Interests must be included?

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

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

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

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

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

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

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

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

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

### List of Disclosable Pecuniary Interests:

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

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

<http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/> or contact Glenn Watson on **07776 997946** or [glenn.watson@oxfordshire.gov.uk](mailto: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. **Petitions and Public Address**

This Committee meeting will be held virtually in order to conform with current guidelines regarding social distancing. Normally requests to speak at this public meeting are required by 9.00 a.m. on the day preceding the published date of the meeting. However, during the current situation and to facilitate these new arrangements we are asking that requests to speak are submitted by no later than 9.00 a.m. four working days before the meeting i.e. 9.00 a.m. on 7 January 2021. Requests to speak should be sent to [lucy.tyrrell@oxfordshire.gov.uk](mailto:lucy.tyrrell@oxfordshire.gov.uk) together with a written statement of your presentation to ensure that if the technology fails then your views can still be taken into account. A written copy of your statement can be provided no later than 9.00 a.m. 2 working days before the meeting.

Where a meeting is held virtually and the addressee is unable to participate virtually their written submission will be accepted.

Written submissions should be no longer than 1 A4 sheet.

4. **Minutes (Pages 1 - 10)**

To approve the minutes of the meeting held on 11 November 2020 and to receive information arising from them.

5. **Treasury Management Strategy Statement and Annual Investment Strategy for 2021/22 (Pages 11 - 28)**

2.10 p.m.

The report contains the annual Treasury Management Strategy Statement and Annual Investment Strategy for 2021/22 in compliance with the CIPFA Code of Practice. The report sets out the borrowing and investment strategies for 2021/22 and relevant background information.

***The Audit & Governance Committee is RECOMMENDED to endorse the Treasury Management Strategy for 2021/22 as outlined in the report.***

## **6. Financial Management Code (Pages 29 - 36)**

2.25 p.m.

Report by the Director of Finance.

The Chartered Institute of Public Finance and Accountancy (CIPFA) launched the Financial Management Code of Practice (FM Code) in November 2019. The FM Code was developed on behalf of the Ministry of Housing, Communities and Local Government (MHCLG) in the context of increasing concerns about the financial resilience and sustainability of local authorities.

***The Committee is RECOMMENDED to note the Summary Compliance Assessment for 2020/21 (Annex 1).***

## **7. Internal Audit Plan (Pages 37 - 52)**

2.40 p.m.

Report by the Director of Finance.

This report presents the Internal Audit progress report for 2020/21.

***The committee is RECOMMENDED to note the progress with the 20/21 Internal Audit Plan and the outcome of the completed audits.***

## **8. Cyber Security/Cyber Scams (Pages 53 - 54)**

2.55 p.m.

Report by Director of IT, Digital and Transformation

This report summarises key points regarding Oxfordshire County Council (OCC) Cyber Security posture.

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

## **9. Provision Cycle update**

3.10 p.m.

Jeremy Richards, Interim Head of Procurement will give a verbal update on the Provision Cycle to the Committee.

**10. Highways Contract Update (Pages 55 - 56)**

3.25 p.m.

A report to provide a quick update on Governance arrangements and the new payment management system

**11. Audit Working Group Report (Pages 57 - 60)**

3.40 p.m.

Report by the Director of Finance.

This report presents the matters considered by the Audit Working Group meeting of 16 December 2020.

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

**12. Members Advisory Panel (Pages 61 - 64)**

3.50 p.m.

Report by the Director of Law & Governance and Monitoring Officer

The report sets out the decision taken by the Interim Monitoring Officer with regard to a Member's Code of Conduct Complaint on the advice of the Members' Advisory Panel.

***The Committee is asked to note the decision of the Interim Monitoring Officer with regard to a Members' Code of Conduct Complaint concerning Cllr Liam Walker.***

**13. Work Programme (Pages 65 - 66)**

3.55 p.m.

To review the Committee's work programme.

**Close of meeting**

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

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## AUDIT & GOVERNANCE COMMITTEE

**MINUTES** of the meeting held on Wednesday, 11 November 2020 commencing at 1.00 pm and finishing at 4.00 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:** Janet Dawson and Adrian Balmer, Ernst & Young

**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; Lucy Tyrrell, Committee Officer

Part of meeting

<b>Agenda Item</b>	<b>Officer Attending</b>
5	Rob MacDougall, Chief Fire Officer; Don Crook, SM Organisational Assurance Officer
6	Jeremy Richards, Interim Head of Procurement
7	Tim Chapple, Treasury Manager
12	George Eleftheriou, Director for Property, Investment and Facilities Management; Natasha Brammer, Commercial Lead

*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.*

## **50/20 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.

## **51/20 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE**

(Agenda No. 2)

There were no declarations of interest.

## **52/20 MINUTES**

(Agenda No. 3)

The minutes of 16 September were agreed.

Item 38/20 – Councillor Glynnis Phillips advised she had attended the LGA Webinar and the main points were that the sanctions need to be stronger.

## **53/20 PETITIONS AND PUBLIC ADDRESS**

(Agenda No. 4)

None received.

## **54/20 OFRS STATEMENT OF ASSURANCE 2019-20**

(Agenda No. 5)

Rob MacDougall, Chief Fire Officer introduced the Statement of Assurance 2019/20 setting out the requirement for fire and rescue authorities to provide an annual statement of assurance on financial, governance and operational matters. He advised that the report also shows that the service was inspected by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services in 2018 and that the service was graded as 'Good' in all three areas of the inspection.

Rob MacDougall addressed Member's questions as follows:

- Following the inspection, a detailed action plan was formulated, however this is not shown in detail within the report. An integrated action plan has been implemented to drive forward the actions required.
- As part of the joint teams working across the Thames Valley to respond to terrorist attacks, we have a team of specialist officers who will respond to these incidents by; 1. a detection identification monitoring team who work within the incident zone, deploying high level scientific inspection and analysis to give an emergency response which allows that specialism going forward, and 2. our response, in the event of a marauding terrorist attack, officers are deployed to support the police and ambulance, these are firefighters with ballistic protection, and they will support the ambulance service, in essence they become the stretcher bearers.
- Through partnership working, our Home and Community Safety team target those most at risk through safe and well checks and education, this forms part



of our prevention activities for fire safety and firefighters are trained to ask a number of questions as part of the NHS initiative, 'making every visit count'.

- Residents are able to refer themselves for a safe and well visit through our website or can be referred through our partnerships.
- There are 5 tower blocks in Oxford City, we have worked with the City Council and residents and have ensured that all cladding has been removed and replaced and sprinklers fitted.
- We are seeing more incidences of acid attacks and do not have the statistics on these to hand, however we do have the crews and resources in place to deal with these.

**RESOLVED to approve the report in its entirety.**

## **55/20 PROVISION CYCLE**

(Agenda No. 6)

The Committee had before it the report of the Provision Cycle Update presented by Jeremy Richards, Interim Head of Procurement which outlined the new robust structure ensuring sector-leading capability in the areas of commissioning, procurement and contract management.

Jeremy Richards advised Members that procurement is a reactive service and OCC is seeking a cycle that works with directorates within the organisation on a long-term basis. Procurement, contract management and commissioning are at the forefront of directorate activities.

Jeremy Richards and Steve Jorden, Corporate Director Commercial Development, Assets and Investment, responded to Members' questions as follows:

- We are being supported by PWC, who bring a range of experience to change management, to ensure it is a sector leading model, tailored to the organisation.
- Workshops were held to understand issues around current processes and issues experienced. New processes were designed with stakeholders from across the organisation for testing purposes and these will fix any issues by ensuring a standardised approach.
- It is too early at this stage to identify the savings that will be made; however, a conservative estimate would be around £6m.
- We are currently working on a communication plan, which will provide detailed guidance to evaluators involved in the tendering process. This information will be rolled out to include all of those involved, including Councillors.
- There is a comprehensive training programme being rolled out and will ensure members are involved.
- This new model will be met by the current team with renewed job descriptions and job roles to suit this revolutionary way of working. It is not expected that there will be any redundancies, and vacancies will be filled via the market which will include a new Head of Provision Cycle to ensure we have the right people in the right jobs.

Steve Jorden advised that Members will be updated at the January Committee meeting when the new system has gone live.

Jeremy Richards advised that a further update will be given to the March Committee meeting including a detailed analysis through a 'so what' exercise and the savings expected thereof. He also assured Cllr McIlveen that he will also include a more detailed version of the provision cycle structures presented as a wheel in line with current formats.

## **56/20 TREASURY MANAGEMENT MID TERM REVIEW**

(Agenda No. 7)

Tim Chapple, Treasury Manager introduced the Treasury Management Mid-Term Review for 2020/21 which covered the treasury management activity for the first 6 months of 2020/21 in compliance with the CIPFA Code of Practice.

Tim Chapple responded to Members' queries as follows:

- We are not so exposed to variable rates, as some of our deposits are very short range, so technically have fixed rates attached.
- Less than 3% is invested in banks on money market funds, therefore are linked to short term interest rates, however we would invest away from this.
- Given the risk of negative interest rates, a lot our deposits have arranged forward deals, therefore they are fixed and contractually agreed.

**RESOLVED to:**

- a) note the report, and**
- b) recommend Council to note the Council's Mid-Term Treasury Management Review 2020/21.**

## **57/20 EXTERNAL AUDITORS**

(Agenda No. 8)

Janet Dawson presented the report Oxfordshire County Council Draft Audit Result for the year ended 31 March 2020 and responded to Members' questions on the following:

- There are no concerns over specific property valuations, and the appropriate value has been determined by the valuer.
- At the last meeting we reported some issues with McCloud, however we are comfortable how this is reflected in the accounts.
- Concerning cashflow projections, subject to our final internal process, we are not proposing to include an emphasis of matter and consider the organisation to be in a strong financial position and have positive cash over next 12 months.
- The final elements of the Carillion settlement were concluded in July and the accounts adjusted thereof, there is not expected to be any adjustment to the accounts going forward.

Janet Dawson concluded that subject to final reviews, they are expecting to issue an unqualified position on the accounts, and for the value for money conclusion to be unqualified.

Adrian Balmer presented the report Oxfordshire Pension Fund 2019/20 Audit Results Report and advised that all works on previous years have now been completed and we will be able to complete these audits and issue completion certificates.

## **58/20 COUNTER-FRAUD UPDATE**

(Agenda No. 9)

Sarah Cox, Chief Internal Auditor introduced this report which presents the revised arrangements for Counter-Fraud and supports the Council's Anti-Fraud and Corruption Strategy by ensuring that the Council has in place proportionate and effective resources and controls to prevent and detect fraud as well as investigate those matters that do arise.

Sarah Cox drew Members attention to the following:

- Included in the report is a revised structure chart for internal audit which gives the opportunity to have dedicated audit posts.
- Recruitment of outstanding posts have commenced in preparation for April.
- The seconded post from Trading Standards has now been offered a substantive post.
- Other posts are in pre-employment checks and one other will be advertised shortly.

Sarah Cox responded to Members' questions as follows:

- There are 32 open cases for OCC fraud referrals, all are under investigation. Figures for CDC are not held, however will be provided when joint working commences.
- CDC have a different fraud risk profile; some will be smaller and more transactional than those we have experienced with OCC.
- A new performance board consisting of Sarah Cox, Chief Internal Auditor, Tessa Clayton, Audit Manager, and will report directly to the Director of Finance, Assistant Director of Finance and the appropriate counterpart at CDC to provide oversight and ensure we are prioritising across both services.

Sarah Cox advised that the Internal Audit Plan will be presented to the January meeting, which will include an update on the Counter-Fraud Plan.

**RESOLVED to comment and note the updated arrangements for Counter-Fraud.**

## **59/20 REDMOND REVIEW OF LOCAL GOVERNMENT AUDIT**

(Agenda No. 10)

Hannah Doney, Head of Corporate Finance presented the Redmond Review into Local Government Audit Report which was carried out upon the request of the Ministry of Housing, Communities and Local Government. Hannah Doney highlighted the review identified four key themes for change; local governance arrangements, current fee structure for external audit, governance arrangements and transparency and reporting.

Dr Geoff Jones commented that he welcomed the transparency of this review, and although we cannot use these accounts for decision making purposes, they are

mainly statistical returns to the government. However, increasing the fees by 25% for the cost of External Auditors would not necessarily ensure that the quality of auditors would increase. Although the findings are good in parts, in the main he did not agree with their findings.

Councillor Nick Carter asked if there was a further opportunity to respond to this review? Hannah Doney responded that there is a BFA consultation around increasing fees and we have an opportunity to respond to that and will be doing so. Hannah Doney agreed to include the views of the Committee in that feedback.

Hannah Doney responded to Member's questions as follows:

- The recommendations could have gone further to ensure that the audited accounts are made more meaningful to the taxpayer, as although the review acknowledges there is a new approach, it does not go far enough to take this forward.
- The recommendations suggest that internal audit place a reliance on the external audit which could direct the internal audit plan, however there is already a strong working relationship between internal audit and Ernst & Young. Sarah Cox added that historically there was stronger reliance placed on Internal Audit by external audit which did not cause insurmountable problems.

Councillor Nick Carter encouraged Members to contact Hannah Doney directly if they had any more comments, they wished to be included in the BFA consultation.

**RESOLVED to note the findings of the Redmond review.**

## **60/20 AUDIT WORKING GROUP REPORT**

(Agenda No. 11)

Sarah Cox presented the report which outlined the matters considered by the Audit Working Group meeting of 21 October 2020. Dr Geoff Jones highlighted the issues regarding the Children's Controcc report and advised that a further report will be presented to December AWG meeting providing performance information put into context alongside the outstanding actions.

**RESOLVED to note the report.**

## **61/20 EXEMPT ITEM**

(Agenda No. )

**RESOLVED:** *that the public be excluded for the duration of Item 13 (since it is likely that if they were present during that item there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified below in relation to that item and since it is considered that, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information on the grounds set out in that item.*

**62/20 CARILLION UPDATE**

(Agenda No. 12)

*The information in this case is exempt in that it falls within the following prescribed categories:*

*3.Information relating to the financial or business affairs of any particular person (including the authority holding that information)*

*and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that a negotiation is ongoing and would prejudice the position of the authority in the process of that negotiation and the Council’s standing generally in relation to such matters in future, to the detriment of the Council’s ability properly to discharge its fiduciary and other duties as a public authority.*

**63/20 WORK PROGRAMME**

(Agenda No. 13)

The following changes/additions were agreed:

- 13 January 2021 – add Provision Cycle update
- 03 March 2021 – add Provision Cycle update

..... in the Chair

Date of signing .....

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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Division(s): N/A

## **AUDIT & GOVERNANCE COMMITTEE – 13 January 2021**

### **Treasury Management Strategy Statement & Annual Investment Strategy for 2021/22**

#### **RECOMMENDATION**

1. **The Audit & Governance Committee is RECOMMENDED to endorse the Treasury Management Strategy for 2021/22 as outlined in the report;**

#### **Executive Summary**

2. The Treasury Management Strategy & Annual Investment Strategy for 2021/22 outlines the Council's risk appetite and strategic objectives in terms of its debt and investment management for the financial year 2021/22.
3. The forecast average cash balance for 2021/22 is £428m. The Council will maintain the investment in strategic pooled funds with a purchase value of £101m, with the remaining £327m being managed internally with a mixture of short, medium and long-term deposits.
4. The Bank of England Base Rate is forecast to remain at 0.10% for the foreseeable future, with heavy risk weighting to the downside.
5. UK Government Gilt yields are likely to remain below 0.75% for the foreseeable future, and the PWLB<sup>1</sup> have reinstated their certainty borrowing rates to 80 basis points over gilts.
6. With the prospect of interest rates remaining lower for longer, and cash balances being higher than previously forecast over the medium term, it is recommended to increase the long-term lending limit from £175m to £200m in 2021/22, tapering down to £150m by 2024/25.
7. Changes to the Treasury Management Strategy will be delegated to the Director of Finance in consultation with the Leader of the Council and Cabinet Member for Finance

#### **Background**

8. The Local Government Act 2003 and supporting regulations require the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
9. The Act requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act). The Annual Investment Strategy sets out the

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<sup>1</sup> Public Works Loans Board

Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

10. Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
11. The proposed strategy for 2021/22 is based upon the views of the Council's Treasury Management Strategy Team (TMST)<sup>2</sup>, informed by market forecasts provided by the Council's treasury advisor, Arlingclose Limited.
12. It is proposed that any further changes required to the Annual Treasury Management Strategy & Annual Investment Strategy, continue to be delegated to the Director of Finance in consultation with the Leader of the Council and Cabinet Member for Finance.

### **Treasury Limits for 2021/22 to 2024/25**

13. The Authorised Borrowing Limit requires the Council to ensure that total capital investment remains within sustainable limits and that the impact upon future council tax levels is 'acceptable'.
14. The capital investment relevant to this indicator to be considered for inclusion incorporates financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

### **Forecast Treasury Portfolio Position**

15. The Council's treasury forecast portfolio position for the 2021/22 financial year comprises:

	<b>Principal £m</b>	<b>Average Rate %</b>
<b>Opening External Debt Balance</b>		
PWLB	285.383	4.549
LOBO	45.000	3.943
Money Market Loans	5.000	3.950
<b>TOTAL EXTERNAL DEBT</b>	<b>335.383</b>	
<u>2021/21 Average Cash Balance</u>		
Average In-House Cash	327.026	
Average Externally Managed	101.006	
<b>TOTAL INVESTMENTS</b>	<b>428.032</b>	

<sup>2</sup>Comprising the Director of Finance, Service Manager (Pensions), Head of Corporate Finance and Treasury Manager.

16. The average forecast cash balance for 2021/22 is comprised of the following:

	Average Balance £m
Earmarked Reserves	70.000
Capital and Developer Contributions	239.221
General Balances	30.000
Cashflow and Working Capital Adjustments	74.615
Provisions and Deferred Income	14.196
<b>TOTAL</b>	<b>428.032</b>

## Treasury Management Advisors

17. Arlingclose continue to provide the Council's Treasury Management Advisory Service. The current contract is due to expire on 30<sup>th</sup> April 2021. A competitive tendering exercise is being undertaken and new contract for Treasury Management Advisory Service will be awarded to the successful applicant from 1<sup>st</sup> May 2021.

## Prospects for Interest Rates

### *Economic Background – Provided by Arlingclose*

18. The impact on the UK from coronavirus, together with its exit from the European Union and future trading arrangements with the bloc, will remain a major influence on the Authority's treasury management strategy for 2021/22.

19. The Bank of England (BoE) maintained Bank Rate at 0.10% in November 2020 and also extended its Quantitative Easing programme by £150 billion to £895 billion. The Monetary Policy Committee voted unanimously for both, but no mention was made of the potential future use of negative interest rates. Within the latest forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast.

20. UK Consumer Price Inflation (CPI) for September 2020 registered 0.5% year on year, up from 0.2% in the previous month. Core inflation rose to 1.3% from 0.9%. Labour market data for the three months to August 2020 showed the unemployment rate rose to 4.5% while the employment rate fell to 75.6%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market, particularly when job retention schemes start to be unwound in 2021, with the BoE forecasting unemployment will peak at 7.75% in Q2 2021.

21. GDP growth fell by -19.8% in the second quarter of 2020, a much sharper contraction from -2.0% in the previous three months, with the annual rate falling -21.5% from -1.6%. Looking ahead, the BoE's November Monetary Policy Report forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023.

### *Credit outlook – Provided by Arlingclose:*

22. After spiking in late March as coronavirus became a global pandemic, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Although uncertainly around COVID-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 is likely to be significantly lower than in previous years.
23. The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.
24. Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.

### *Interest rate forecast – Provided by Arlingclose:*

25. Arlingclose is forecasting that BoE Bank Rate will remain at 0.10% until at least the end of 2023. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the Brexit transition period ends. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.
26. Gilt yields are expected to remain very low in the medium-term while short-term yields are likely to remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.5% and 0.75% respectively over the time horizon. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.

### *Treasury Management Strategy Team's View*

27. The Council's TMST, taking into account the advice from Arlingclose, market implications and the current economic outlook, have determined the rates to be included in the Strategic Measures budget for 2021/22 and over the medium term. TMST forecast no change in base rate over the medium term. The Bank Rate is forecast to remain at 0.10% for the medium term.
28. The TMST does not expect official bank rates to move below zero, however it remains a real risk. If bank rate did fall below zero, the council would divest from any negative yielding instant access deposits and switch to a series of short term inter local authority deposits, whilst inter local authority returns remain above, or at zero. If there are insufficient options to invest short term at a positive yield, the TMST will seek to strike a balance between short term liquidity and capital

preservation through careful cashflow forecasting whilst increasing the average duration of the investment portfolio.

29. The TMST team has agreed that based on the current portfolio of deposits and market rates, the target in-house rate of return as set out below. These rates have been incorporated into the strategic measures budget estimates:

- 2021/22 0.58%
- 2022/23 – 2025/26 0.25%

## **Borrowing Strategy**

30. It is expected that the Bank Rate will remain at 0.10% during 2021/22. Borrowing rates are forecast to be between 0.80 – 1.55% in the short to medium term, therefore the “cost of carry<sup>3</sup>” associated with the long-term borrowing compared to temporary investment returns will be significantly reduced compared to previous years.

31. The external borrowing of the Council is set to fall well below the Capital Financing Requirement due to increased capital expenditure and £106m of debt repayments by 2027/28.

32. The Council needs to borrow to finance prudential borrowing schemes. The Council’s Capital Programme Financing Principles applies capital grants, developer contributions, capital receipts and revenue contributions to fund capital expenditure before using prudential borrowing. This means that the majority of the current capital programme is fully funded without the need to take up any new borrowing.

33. Financing the Council’s borrowing requirement internally would reduce the cost of carry in the short term but there is a risk that the internal borrowing would need to be refinanced with external borrowing at a time when PWLB (or its successor) and market rates exceed those currently available.

34. The Council’s TMST have agreed that they should maintain the option to fund new or replacement borrowing up to the value of £100m of the portfolio through internal borrowing. Internal borrowing will have the effect of reducing some of the “cost of carry” of funding. Internal borrowing will also be used to finance prudential schemes.

35. The TMST will monitor the borrowing rates during the 2021/22 financial year. If changes in interest rate forecasts mean the policy to borrow internally is no longer in the short term or long-term interests of the Council, the TMST may take out new or replacement borrowing to give the Council certain of cost over the long term, and to reduce Interest Rate Risk and Refinancing Risk in the short to medium term. Any borrowing will be reported to Cabinet.

36. As the Accountable Body for OxLEP Ltd, the Council will be required to prudentially borrow £41m on their behalf for project funding from 2021/22 onwards. The borrowing will be included in the Council’s overall borrowing

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<sup>3</sup> The difference between the interest payable on borrowing on debt and the interest receivable from investing surplus cash.

requirement, using internal or external borrowing as appropriate. The loans will be repaid through the retained business rates of the enterprise zone. The TMST monitor interest rates and will consider forward borrowing on behalf of OxLEP at the end of 2020/21 if it is determined to be cost-effective.

37. If the PWLB offer any further lending rounds of the Local Infrastructure Rate, it is likely to be at a discounted interest rate of gilts + 60 basis points. The borrowing on behalf of OxLEP may be eligible as the schemes are all major infrastructure schemes.
38. The Council's chief objective when borrowing money is to strike an appropriate balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.
39. The approved sources of long-term and short-term borrowing are:
  - Public Works Loan Board and any successor body
  - UK local authorities
  - any institution approved for investments (see below)
  - any other bank or building society authorised by the Prudential Regulation Authority to operate in the UK
  - UK public and private sector pension funds
  - capital market bond investors
  - special purpose companies created to enable joint local authority bond issues.

### *Borrowing for the Capital Financing Requirement*

40. The Council's Capital Financing Requirement (CFR) represents the Council's underlying need to finance capital expenditure by borrowing. The Council's CFR is currently forecast to increase over the medium-term financial plan. This is a result of the requirement to borrow on behalf of the OxLEP discussed in paragraph 35 and increased investment in the Council's Capital Programme, and the previously agreed infrastructure investment.
41. The Council's external debt is also forecast to increase over the medium-term financial plan as new external borrowing required for OxLEP projects and the infrastructure investment is forecast to exceed the rate at which existing long term debt is repaid upon maturity.

### *Borrowing Instruments*

42. The main source of borrowing for the Council is the PWLB. The borrowing rate from the PWLB is directly linked to UK Government Gilt yield. There are three rates offered by the PWLB; the standard rate, the certainty rate and local infrastructure rate, which are 100, 80 and 60 basis points over gilts, respectively.
43. The Council will apply to qualify for the certainty rate each year. If the PWLB announce further infrastructure rate programmes, the Council will apply for it if appropriate.

44. The TMST forecast for available rates from the PWLB over the medium term are as follows:

- 0.80 – 1.55% for the Certainty rate
- 0.60 – 1.35% for the Infrastructure rate

45. The Council has historically set a maximum limit of 20% of the debt portfolio to be borrowed in the form of Lender’s Option Borrower’s Option (LOBOs). It is recommended that this remain as the limit for 2021/22. As at 30 November 2020 LOBOs represent 13.4% of the total external debt.

46. The Council has four £5m LOBO’s with call options in 2021/22, three of which have two call options in year, whilst one has a single call option in year. At each call date, the lender may choose to exercise their option to change the interest rate payable on the loan. If the lender chooses to do so, the Council will evaluate alternative financing options before deciding whether or not to exercise the borrower’s option to repay the loan or to accept the new rate offered. It is likely that if the rate is changed the debt will be repaid. The TMST is also exploring early repayment of LOBO’s where there is a financial benefit to do so.

47. Other sources of funding be available to the Council include the money market, other Local Authorities and the Municipal Bond Fund. The TMST will consider all available funding sources when entering into any new borrowing arrangements.

*Arlingclose’s View on borrowing rates*

48. Arlingclose have forecast gilt yields and borrowing rates over the medium term to be as follows:

Duration	Gilt Yield %	PWLB Infrastructure Rate %	PWLB Certainty Rate %
50 year	0.60 – 0.75	1.20 – 1.35	1.40 – 1.55
20 year	0.70 – 0.85	1.30 – 1.45	1.50 – 1.65
10 year	0.30 – 0.55	0.90 – 1.15	1.10 – 1.35
5 year	0.00 – 0.25	0.60 – 0.85	0.80 – 1.05

49. Arlingclose’s forecasts have an upside variation range of between 0 and 70 basis points, and a downside variation range of between 10 and 50 basis points depending on the economic and political climate.

**Treasury Management Prudential Indicators for Debt**

**Gross and Net Debt**

50. This indicator is intended to identify where an authority may be borrowing in advance of need.

Upper Limit of net debt:	2020/21	2021/22	2022/23	2023/24	2024/25
Net Debt / Gross Debt	70%	70%	70%	70%	70%

**Upper and lower limits to maturity structure of fixed rate borrowing**

- 51. This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.
- 52. It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.
- 53. LOBOs are classified as maturing on the next call date, this being the earliest date that the lender can require repayment.

<b>Maturity structure of fixed rate borrowing during 2021/22</b>	<b>Lower Limit %</b>	<b>Upper Limit %</b>
Under 12 months	0	20
12 months and within 24 months	0	25
24 months and within 5 years	0	35
5 years and within 10 years	5	40
10 years and above	40	95

**Annual Investment Strategy**

- 54. The Council complies with all relevant treasury management regulations, codes of practice and guidance. The Council’s investment priorities are: -
  - The security of capital and
  - The liquidity of its investments
- 55. The Council also aims to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The borrowing of monies purely to invest or on-lend and make a return is unlawful and the Council will not engage in such activity.
- 56. The Treasury Management Code of Practice requires the Council to approve a Treasury Management Policy Statement. Good practice requires that this statement is regularly reviewed and revised as appropriate. Council approved the statement in February 2019. The statement has been reviewed and there are no revisions proposed.

*Investment Instruments*

- 57. Investment instruments identified for use in the 2021/22 financial year are set out in the Specified and Non-Specified instrument tables below
- 58. Guidance states that specified investments are those requiring “minimal procedural formalities”. The placing of cash on deposit with banks and building societies ‘awarded high credit ratings by a credit rating agency’, the use of Money Market Funds (MMFs) and investments with the UK Government and local authorities qualify as falling under this phrase as they form a normal part of day to day treasury management.



59. Money market funds (MMFs) will be utilised, but good treasury management practice prevails and whilst MMFs provide good diversification the council will also seek to diversify any exposure by using more than one MMF where practical. It should be noted that while exposure will be limited, the use of MMFs does give the council exposure to institutions that may not be included on the approved lending list for direct deposits. This is deemed to be an acceptable risk due to the benefits of diversification. The Treasury team use an online portal to provide details of underlying holdings in MMFs. This enables more effective and regular monitoring of full counterparty risk.

60. All specified investments will be sterling denominated, with maturities up to a maximum of 1 year, meeting the 'high' credit rating criteria where applicable.

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

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

<b>Specified Investment Instrument</b>	<b>Minimum Credit Criteria</b>	<b>Use</b>
Reverse Repurchase Agreements - maturity under 1 year from arrangement and counterparty is of high credit quality (not collateral)	Long Term Counterparty Rating A-	In-house and Fund Managers
Covered Bonds – maturity under 1 year from arrangement	Minimum issue rating of A-	In-house and Fund Managers

61. Non-specified investment products are those which take on greater risk. They are subject to greater scrutiny and should therefore be subject to more rigorous justification and agreement of their use in the Annual Investment Strategy; this applies regardless of whether they are under one-year investments and have high credit ratings.

62. A maximum of 50% of internal investments, and 100% of external investments will be held in non-specified investments.

<b>Non-Specified Investment Instrument</b>	<b>Minimum Credit Criteria</b>	<b>Use</b>	<b>Max Maturity Period</b>
Term Deposits – other Local Authorities (maturities in excess of 1 year)	N/A	In-house	5 years
UK Government Gilts with maturities in excess of 1 year	N/A	In-house and Fund Managers	5 years in-house, 10 years fund managers
Collective Investment Schemes <sup>5</sup> but which are not credit rated	N/A	In-house and Fund Managers	Pooled Funds do not have a defined maturity date
Registered Providers	As agreed by TMST in consultation with the Leader and the Cabinet Member for Finance	In-house	5 years
OxLEP Ltd	As agreed by TMST in consultation with the Leader and the Cabinet Member for Finance	In-house	5 years
Term Deposits – Banks and Building Societies (maturities in excess of 1 year)	Short-term F1+, Long-term AA-	In-house and Fund Managers	3 years
Structured Products (e.g. Callable deposits, range accruals, snowballs, escalators etc.)	Short-term F1+, Long-term AA-	In-house and Fund Managers	3 years
Bonds issued by Multilateral Development Banks	AAA	In-house and Fund Managers	25 years
Bonds issued by a financial institution which is guaranteed by the UK Government	AA	In-house and Fund Managers	5 years in-house
Sovereign Bond Issues	AAA	In-house on a buy and	5 year in-house, 30 years fund

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

Non-Specified Investment Instrument	Minimum Credit Criteria	Use	Max Maturity Period
		hold basis. Fund Managers	managers
Reverse Repurchase Agreements - maturity in excess of 1 year, or/and counterparty not of high credit quality.	Minimum long term rating of A-	In-house and Fund Managers	3 years
Covered Bonds	AAA	In-house and Fund Managers	20 years

### *Changes to Instruments*

63. With the prospect of interest rate remaining low for the medium term, and with an increase in peer to peer lending rates amongst Local Authorities, it is proposed to increase the duration for deposits with other Local Authorities to 5 years (from 3 years)

### *Credit Quality*

64. The CIPFA Code of Practice on Treasury Management (2017) recommends that Councils have regard to the ratings issued by the three major credit rating agencies (Fitch, Moody's and Standard & Poor's) and to make decisions based on all ratings. Whilst the Council will have regard to the ratings provided by all three ratings agencies, the Council uses Fitch ratings as the basis by which to set its minimum credit criteria for deposits and to derive its maximum counterparty limits. Counterparty limits and maturity limits are derived from the credit rating matrix as set out in the tables at paragraphs 73 and 74 respectively.

65. The TMST may further reduce the derived limits due to the ratings provided by Moody's and Standard & Poor's or as a result of monitoring additional indicators such as Credit Default Swap rates, share prices, Ratings Watch & Outlook notices from credit rating agencies and quality Financial Media sources.

66. Notification of any rating changes (or ratings watch and outlook notifications) by all three ratings agencies are monitored daily by a member of the Treasury Management Team. Updates are also provided by the Council's Treasury Management advisors Arlingclose and reported to TMST. Appropriate action will be taken for any change in rating.

67. Where a change in the Fitch credit rating places a counterparty on the approved lending list outside the credit matrix (as set out in tables at paragraphs 75 and 76), that counterparty will be immediately removed from the lending list.

68. The Authority defines "high credit quality" organisations as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher with the Fitch ratings agency.

### *Liquidity Management*

69. The Council forecasts its cash flow to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic

basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow forecast. The Council uses instant access bank deposit accounts and money market funds for balances forecast to be required at short notice to meet commitments due. The TMST will continue to monitor options available to maintain the required liquidity and will open new accounts with approved counterparties as appropriate.

### *Lending Limits*

70. In addition to the limits determined by the credit quality of institutions, the TMST apply further limits to mitigate risk by diversification. These include:

- Limiting the amount lent to banks in any one country (excluding the UK) to a maximum of 20% of the investment portfolio.
- Limiting the amount lent to any bank, or banks within the same group structure to 10% of the investment portfolio.
- Actively seeking to reduce exposure to banks with bail in risk

71. Where the Council has deposits on instant access, this balance may temporarily exceed the 10% bank or group limit. However, the limits as set out in paragraphs 73 and 74 will still apply.

72. Counterparty limits as set out in paragraphs 73 and 74, may be temporarily exceeded by the accrual and application of interest amounts onto accounts such as call accounts, money market funds or notice accounts. Where the application of interest causes the balance with a counterparty to exceed the agreed limits, the balance will be reduced when appropriate, dependent upon the terms and conditions of the account and cashflow forecast.

73. Any changes to the approved lending list will be reported to Cabinet as part of the Business Management and Monitoring Report.

74. The Council also manages its credit risk by setting counterparty limits. The matrix below sets out the maximum proposed limits for 2021/22. The TMST may further restrict lending limits dependent upon prevailing market conditions. BBB+ to BBB- ratings is included for overnight balances with the Council's bank, currently Lloyds Bank Plc. This is for practical purposes should the bank be downgraded.

LENDING LIMITS - Fitch Rating Long Term Rating	Short Term Rating	
	F1+	F1
AAA	£30m	£20m
AA+	£30m	£20m
AA	£25m	£15m
AA-	£25m	£15m
A+	£20m	£15m
A	£20m	£15m
A-	£15m	£10m
BBB+, BBB, BBB- (bank with which the Council has its bank account)	£20m	£20m

75. The Council also manages its counterparty risk by setting maturity limits on deposits, restricting longer term lending to the very highest rated counterparties. The table below sets out the maximum approved limits. The TMST may further restrict lending criteria in response to changing market conditions.

MATURITY LIMITS – Fitch Rating	Short Term Rating	
Long Term Rating	F1+	F1
AAA	3 years	364 days
AA+	2 years	364 days
AA	2 years	9 months
AA-	2 years	9 months
A+	364 days	9 months
A	9 months	6 months
A-	6 months	3 months
BBB+, BBB, BBB- (bank with which the Council has its bank account)	Overnight	Overnight

*Other institutions included on the councils lending list - Structured Products*

76. As at 30 November 2020, the Council had no structured products within its investment portfolio. Structured products involve varying degrees of additional risk over fixed rate deposits, with the potential for higher returns. It is recommended that the authority maintain the option to use structured products up to a maximum of 10% of the investment portfolio. The Council will continue to monitor structured products and consider restructuring opportunities as appropriate.

**External Funds**

77. The Council uses external fund managers and pooled funds to diversify the investment portfolio through the use of different investment instruments, investment in different markets, and exposure to a range of counterparties. It is expected that these funds should outperform the Council’s in-house investment performance over a rolling three-year period. The Council will have no more than 50% of the total portfolio invested with external fund managers and pooled funds (excluding MMFs). This allows the Council to achieve diversification while limiting the exposure to funds with a variable net asset value. And, in order to ensure appropriate diversification within externally managed and pooled funds these should be diversified between a minimum of two asset classes.

78. As at 30 November 2020, the Council had £98m (original purchase value of £101m) invested in external funds (excluding MMFs), representing 19% of the Council’s total investment portfolio. The funds have largely recovered from the low value of £90m (cause by the Covid 19 pandemic) at 31 March 2020. Whilst there is likely to be continued short term volatility in the value of the funds, they are held with a long term view, and there is no intention to divest from any of the funds at present.

79. The external funds have a higher targeted income return than in house deposits of 3.75% which has been incorporated into the medium-term financial plan.

80. The performance of the pooled funds is monitored by the TMST throughout the year against the funds' benchmarks and the in-house investment returns. The TMST will keep the external fund investments under review and consider alternative instruments and fund structures, to manage overall portfolio risk. It is recommended that authority to withdraw, or advance additional funds to/from external fund managers, continue to be delegated to the TMST.

**Investment Approach**

81. The TMST will aim to maintain the balance between medium and long-term deposits with local authorities and short-term secured and unsecured deposits with high credit quality financial institutions. Money Market Funds will continue to be utilised for instant access cash. This approach will maintain a degree of certainty about the investment returns for a proportion of the portfolio, while also enabling the Treasury Management team to respond to any increases or decreases in interest rates in the short-term.

**Treasury Management Indicators for Investments**

**Upper limit to total of principal sums invested longer than 364 days**

82. The purpose of this limit is to contain exposure to the risk of loss that may arise as a result of the Authority having to seek early repayment of the sums invested.

83. During 2020/21 the limit for longer term lending was increased from £200 to £215m to reflect the higher than forecast cash balances and to take advantage of high peer to peer lending rates. Cash balances were higher than forecast due to higher levels of Developer Contributions and slippage in the capital programme. It is proposed to maintain this limit to £215m for 2021/22, then reduce back down to £185m by 2025/26 as the average forecast balance reduces.

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Upper limit on principal sums invested longer than 364 days	215	185	185	185	185

**Other Treasury Management Prudential Indicators**

**Upper limits on fixed and variable rate interest exposures**

84. These indicators allow the Authority to manage the extent to which it is exposed to changes in interest rates.

Fixed interest rate exposure

85. Limits in the table below have been set to reflect the current low interest rate environment. The limits set out offer the Council protection in an uncertain interest rate environment by allowing the majority of the debt portfolio to be held at fixed interest rates, thus not subjecting the Council to rising debt interest.

<b>Upper limit for fixed interest rate exposure</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
Net principal re fixed rate borrowing / investments	£350m	£350m	£350m	£350m	£350m	£350m

86. Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

#### Variable interest rate exposure

The council will maintain a zero (or negative) net variable interest rate exposure. This is maintained by insuring the Council's variable rate debt is lower than variable rate investments

87. Prudential Indicators are reported to and monitored by the TMST on a regular basis and will be reported to the Audit & Governance Committee and Cabinet in the Treasury Management Outturn Report 2020/21 and the Treasury Management Mid-Term Review 2021/22, which will be considered in July and November 2021 respectively.

### **Policy on Use of Financial Derivatives**

88. The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

89. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

90. It is the view of the TMST that the use of standalone financial derivatives will not be required for Treasury Management purposes during 2021/22. The Council will only use derivatives after seeking expertise, a legal opinion and ensuring officers have the appropriate training for their use.

### **Performance Monitoring**

91. The Council will monitor its Treasury Management performance against other authorities through its membership of the CIPFA Treasury Management benchmarking club.

92. Arlingclose benchmark the performance of their clients against each other on a quarterly basis, looking at a variety of indicators including investment risk and returns.

93. Latest performance figures will be reported to the Audit & Governance Committee and Cabinet in the Treasury Management Outturn Report 2020/21, and the

Treasury Management Mid-Term Review 2021/22, which will be considered in July and November 2021 respectively.

### **Investment Training**

94. All members of the Treasury Management Strategy Team are members of CIPFA or other professional accounting body. In addition, key Treasury Management officers receive in-house and externally provided training as deemed appropriate and training needs are regularly reviewed, including as part of the staff appraisal process.
95. The Council has opted up to 'professional client' categorisation with under the second Markets in Financial Instruments Directive (MiFID II). In order to achieve this, evidence was required that the person(s) authorised to make investment decisions on behalf of the authority have at least one year's relevant professional experience and the expertise and knowledge to make investment decisions and understand the risks involved. Members of the TMST currently meet these criteria and training needs will be regularly monitored and reviewed to ensure continued compliance.

### **Financial and Legal Implications**

96. Interest payable and receivable in relation to Treasury Management activities are included within the overall Strategic Measures budget. In house interest receivable for 2021/22 is budgeted to be £1.87m
97. Dividends payable from external funds in 2021/22 are budgeted to be £3.20m.
98. Interest payable on external debt in 2021/22 is budgeted to be £14.74m.
99. There are no direct legal implications arising from this report save for the need for ongoing collaborative working between the S151 Officer and the Monitoring Office. CIPFA guidance promotes the need for consultative working and collaboration between these respective roles to promote good organisational governance.

### **Environmental Impact**

100. This report is not expected to have any negative impact with regards to the Council's zero carbon emissions commitment by 2030.
101. The Treasury Management Strategy Team (TMST) will consider investments that may make a positive contribution to the Council's carbon commitment when appropriate opportunities become available. The TMST will continue to explore Ethical, Sustainable and good Governance investment practices.
102. Where the Council has investments in externally managed funds, each of the fund managers is a signatory to the United Nations Principal for Responsible Investment.



103. The Council is undertaking a review of all of its Treasury Management investments to produce a report on how it is performing with regards to Ethical, Social and Governance (ESG) criteria.
104. Furthermore, the Council will not knowingly invest directly in organisations whose activities include practices which are inconsistent with the values of the Council or the Council's zero carbon emissions commitment by 2030.
105. The Treasury Management function is now completely paperless, and remote working is likely to remain normal for the foreseeable future.

**LORNA BAXTER**  
Director of Finance

Contact officer: Tim Chapple – Treasury Manager  
Contact number: 07917 262935  
December 2020

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Divisions Affected - All

## **AUDIT & GOVERNANCE COMMITTEE**

**12 January 2021**

### **Financial Management Code of Practice Compliance Assessment**

#### **Report by Director of Finance**

### **RECOMMENDATION**

1. **The Committee is RECOMMENDED to note the Summary Compliance Assessment for 2020/21 (Annex 1).**

### **Executive Summary**

2. The Chartered Institute of Public Finance and Accountancy (CIPFA) launched the Financial Management Code of Practice (FM Code) in November 2019. The FM Code was developed on behalf of the Ministry of Housing, Communities and Local Government (MHCLG) in the context of increasing concerns about the financial resilience and sustainability of local authorities.
3. The FM Code clarifies how Chief Finance Officers should satisfy their statutory responsibility for good financial administration as required in section 151 of the Local Government Act 1972 and emphasises the collective financial responsibility of the whole leadership including the relevant elected members.
4. Local authorities are expected to demonstrate that the requirements of the FM Code are being satisfied and full compliance is expected for 2021/22 (i.e from April 2021) with 2020/21 acting as a preparatory year.
5. This is the first annual report to those charged with governance on the Council's compliance with the FM Code.
6. The report sets out the latest expectations for compliance with the FM Code from CIPFA and the outcome of the initial compliance self-assessment undertaken for 2020/21 which has found that the Council is well placed to meet the requirements of the FM Code.

### **Introduction**

7. The FM Code is set by CIPFA on behalf of MHCLG. Compliance with the code is obligatory but is not currently referenced in legislation meaning that it is not statutory guidance. However, the FM Code draws heavily on existing statutory guidance:
- Role of the Chief Financial Officer in Local Government
  - Prudential Code for Capital Finance
  - Code of Practice on Local Authority Accounting in the United Kingdom
8. The FM Code has six key themes aimed at strengthening the financial resilience and sustainability of local authorities:
- (i) Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
  - (ii) **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
  - (iii) Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
  - (iv) Adherence to professional **standards** is promoted by the leadership team and is evidenced.
  - (v) Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
  - (vi) The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.
9. Performance against the six key themes is measured by 19 standards which are arranged over seven sections:
- (i) The responsibilities of the chief finance officer and leadership team
  - (ii) Governance and financial management style
  - (iii) Long to medium-term financial management
  - (iv) The annual budget
  - (v) Stakeholder engagement and business plans
  - (vi) Monitoring financial performance
  - (vii) External financial reporting
10. The 19 standards are set out in full in Annex 1.

## Status of the FM Code

11. The first full year of compliance with the FM Code is due for 2021/22. Local Authorities are awaiting guidance from CIPFA setting out the expectations for evidencing compliance with the code.
12. CIPFA has recognised that the coronavirus crisis has seen many local authorities and their finance teams placed under extreme pressure which is ongoing and may impact on the ability to fully implement the FM Code from 2021/22. CIPFA are considering whether 'working towards' full implementation from 2022/23 might be an appropriate response to resourcing issues. However, this needs to be balanced against the evident risks and financial challenges in the sector, which arguably make earlier implementation more important.
13. The ultimate decision rests with MHCLG and an announcement is expected from CIPFA early in the new year, following consultation with the Association of Local Authority Treasurers' Society (ALATS).
14. Linked to this, the [Redmond Review into Local authority financial reporting and external audit](#) which reported in September 2020 included a specific recommendation for MHCLG to review its current framework for seeking assurance that financial sustainability in each local authority in England is maintained. Although not prescribed in the formal recommendation, the review noted that MHCLG could give the FM Code statutory status and require local authorities to report on compliance with the Code in their Annual Governance Statement with auditors expected to report on material breaches.
15. [MHCLG published a formal response to the Redmond Review on 18 December](#) to coincide with the publication of the Provisional Local Government Settlement. In response to this specific recommendation, MHCLG has committed to give it further consideration and to make a full response by spring 2021.
16. A further update on MHCLG's response to the Redmond review and the impact on the Council's annual accounts and external audit will be included in the first report on the Statement of Accounts for 2020/21 to the Audit & Governance Committee in March.

## **Current Compliance Assessment 2020/21**

17. In the absence of clear guidance from CIPFA and MHCLG about how Local Authorities should report on and evidence compliance with the FM Code, it was agreed at the Audit & Governance Committee meeting in November 2019 that, as those charged with governance, the committee should receive an annual compliance report ahead of Cabinet's consideration of the Medium Term Financial Strategy for the following year.
18. An assessment has been made of the Council's current compliance with the 19 Standards in the FM Code. The assessment has identified that the Council is well placed to evidence compliance with the FM Code from 1 April 2021.

19. All 19 Standards have been assessed as Green meaning that compliance can be evidenced. Where relevant, proposed further actions that can be taken to enhance compliance have been included in the assessment. The Summary Assessment is included at Annex 1.
20. The Summary Assessment will also be published alongside the Chief Finance Officer's statutory report on the budget (Section 25 Report) as supporting evidence of the consideration given by the Director of Finance to the financial management arrangements and control frameworks that are in place when commenting on the robustness of the proposed budget.

## **Embedding the FM Code in 2021/22**

21. CIPFA has published guidance notes to support Local Authorities to interpret the requirements of the FM Code. The guidance notes contain 69 detailed questions across the 19 standards to support compliance.
22. Officers will use the detailed questions to help inform the preparation of the Professional Lead Statements which underpin the Annual Governance Statement (AGS). Where action can be taken to strengthen and enhance compliance with the FM Code these will be taken forward and reported through the AGS Action Plan.

**LORNA BAXTER**  
Director of Finance

Annex: Financial Management Code of Practice – Summary Compliance Assessment 2020/21

Background papers: Nil

Contact Officer: Hannah Doney, Head of Corporate Finance (Deputy Section 151 Officer),  
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January 2021

## Financial Management Code of Practice – Summary Compliance Assessment 2020/21

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
<b>1. Responsibilities of the Chief Finance Officer (CFO) and Leadership Team</b>				
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money (VfM)	Services use benchmarking to inform opportunities to improve VfM. All tenders consider VfM by considering the quality of service and not just price.	Include statement of how proposals in Cabinet Reports will deliver value for money where appropriate	<b>GREEN</b>
B	The authority complies with the CIPFA “Statement of the Role of the CFO in Local Government”	The CFO is qualified accountant with significant experience working as an active member of the leadership team. The CFO is a member of CEDR (Chief Executive Direct Reports) and has an influential role with members of the Cabinet, Audit & Governance Committee and lead opposition members.		<b>GREEN</b>
<b>2. Governance and Financial Management Style</b>				
Page 33	The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control	The Corporate Governance and Assurance Group (CGAG) exists to ensure good governance and internal control, including driving the production of the Annual Governance Statement (AGS) and Action Plan through the completion of Professional Lead Statements and engagement with Corporate Directors.	CGAG to continue to establish itself and enhance its workload including driving consistency across the partnership between the County Council and CDC.	<b>GREEN</b>
	The authority applies the CIPFA/SOLACE “Delivering Good Governance in Local Government: Framework (2016)”	Annual Governance Statement (AGS) includes internal audit opinion on effectiveness of internal control environment and systems of internal control.	Agree an updated Local Code of Governance and ensure that this is updated regularly.	<b>GREEN</b>
	The Financial Management style of the authority supports financial sustainability	The Council has adopted a Business Partnering model that supports managers to deliver financially sustainable services by providing strategic advice and support. This is underpinned by a Corporate Function that manages the strategic financing issues and provides the budget setting and accounting framework for the organisation.	Continue to develop the skills of managers to ensure that they have access to performance and financial information that enables them to deliver services that are financially sustainable.	<b>GREEN</b>

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
3.	<b>Long to Medium-Term Financial Management</b>			
F	The authority has carried out a credible and transparent financial resilience assessment	A Financial Resilience assessment is included within the Budget Documents. The assessment is consistent with the Medium-Term Financial Strategy (MTFS) assumptions. The forecast level of General Balances is reported against the minimum risk assessed level for balances monthly taking into account the latest monitoring position in the current year.		<b>GREEN</b>
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	The Financial Strategy and MTFS outline the financial challenges and opportunities facing the Council. Business and Budget Planning Reports to Cabinet clearly set out the financial planning environment and any assumptions made.		<b>GREEN</b>
I	The authority complies with the CIPFA "Prudential Code for Capital Finance in Local Authorities"	An annual Capital and Investment Strategy is set by Council alongside a ten-year Capital Programme, Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy. The Capital Programme is monitored monthly with reports produced quarterly for CEDR and Cabinet. Mid-term and Outturn Treasury Management reports are taken to A&G Committee and Cabinet, including monitoring of Prudential Indicators.		<b>GREEN</b>
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	The Council has an integrated Business and Budget Planning Process with a five-year MTFS supported by Service Plans.	Continue to build the link between service plans and budgets, including increasing the visibility of funding changes agreed for future years for service managers.	<b>GREEN</b>



Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
<b>4. The Annual Budget</b>				
J	The authority complies with its statutory obligations in respect of the budget setting process	The Council produces an annual balanced budget and supporting documentation within the necessary timeframe.		<b>GREEN</b>
K	The budget report includes a statement by the CFO on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves	The CFO's S25 report accompanies the suite of Budget documents and includes a commentary of the adequacy of proposed financial reserves with reference to CIPFA's Resilience Index. The report will be enhanced for 2021/22 by including an assessment of readiness for implementing the FM Code.		<b>GREEN</b>
<b>5. Stakeholder Engagement and Business Plans</b>				
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	The Council undertakes an annual public consultation on the budget proposals, setting out the financial context in which the proposals are made and the links to the Council's priorities. The Performance Scrutiny Committee considers and comments upon the budget proposals.		<b>GREEN</b>
M	The authority uses an appropriate documented options appraisal methodology to demonstrate the value for money of its decisions	A business case is required for all capital schemes which sets out alternative options, the reasons for discounting them and benefits of progressing with the scheme. All tenders consider VfM by considering the quality of service and not just price – the appraisal process is documented.	With the introduction of the Procurement Hub, procedures and regulations are being reviewed and updated to provide a consistency of approach whilst also ensuring a relevant level of options appraisal is undertaken based on the scale and significance of the project and the decision required.	<b>GREEN</b>

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
<b>6. Monitoring Financial Performance</b>				
N	The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	The monthly Business Management and Monitoring Report to Cabinet enables CEDR and Cabinet to respond to emerging risks – the effectiveness was evidenced during 2020/21 as the Council agreed an in year budget to respond to the financial impact of COVID-19.	The quarterly Capital Programme monitoring report requires enhancement to better reflect performance and the delivery of outcomes linked to the completion of capital schemes.	<b>GREEN</b>
O	The Leadership Team monitors the elements of its balance sheet that pose a significant risk to financial sustainability	The monthly Business Management and Monitoring Report to Cabinet includes monitoring of key balance sheet items including balances, reserves, debtors, and cash (including the performance of Treasury Management).	Increase visibility of relevant balance sheet items for service managers.	<b>GREEN</b>
<b>External Financial Reporting</b>				
	The CFO has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the “Code of Practice on Local Authority Accounting in the United Kingdom” (The Code)	The annual accounts are produced in compliance with The Code. The accounts receive an unqualified audit opinion and statutory deadlines for publication of the accounts and completion of the audit are consistently met.		<b>GREEN</b>
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	CEDR and Cabinet consider outturn report and year end variances in a timely manner enabling strategic financial decisions to be made as necessary.		<b>GREEN</b>

Divisions: All

## **AUDIT and GOVERNANCE COMMITTEE – 13 January 2021**

### **INTERNAL AUDIT 2020/21 PROGRESS REPORT**

**Report by the Director of Finance**

#### **RECOMMENDATION**

1. **The committee is RECOMMENDED to note the progress with the 20/21 Internal Audit Plan and the outcome of the completed audits.**

#### **EXECUTIVE SUMMARY**

2. This report provides an update on the Internal Audit Service, including resources, completed and planned audits.
3. A full update on resources was made to the Audit and Governance Committee in May 2020 as part of the Internal Audit Strategy and Plan for 2020/21. Since then the recruitment activity which had been paused due to covid-19, recommenced and we have successfully appointed to the Senior Auditor and Assistant Auditor vacancies.
4. The report includes the Executive Summaries from the individual Internal Audit reports finalised since the last report to the September 2020 Committee. Since the last update, there have been no further red reports issued.
5. Previous reports with the grading of Red continue to be monitored by the Audit Working Group for implementation.

#### **PROGRESS REPORT:**

#### **RESOURCES**

6. A full update on resources was made to the Audit and Governance Committee in May 2020 as part of the Internal Audit Strategy and Plan for 2020/21. Since then the recruitment activity which had been paused due to covid-19, recommenced and we have successfully appointed to the Senior Auditor and Assistant Auditor vacancies.
7. The November committee meeting was also updated, with the additional posts that had been agreed as dedicated counter fraud resource, with an updated structure chart presented for Internal Audit and Counter Fraud. The delivery of a joint Internal Audit Service across both CDC and OCC will be extended to include a joint counter fraud service from April 2021.

Recruitment is in progress to ensure resources are in place for the beginning of the financial year.

8. The Senior Auditor and Audit Manager continue to undertake professional study, undertaking the Chartered Internal Audit Qualification. They both have one more exam to complete. We are now supporting the other two Senior Auditors, who are now undertaking the Certified Internal Audit Qualification. The Assistant Auditor has also now commenced studying for an Internal Audit apprenticeship.

## 2020/21 INTERNAL AUDIT PLAN - PROGRESS REPORT

9. The 2020/21 Internal Audit Plan, which was agreed at the July Audit & Governance Committee, is attached as Appendix 1 to this report. This shows current progress with each audit. The plan and plan progress is reviewed quarterly with the individual directorate leadership teams.
10. There have been 5 amendments to the Internal Audit Plan, which are included in Appendix 1 of this report. This highlights 5 pieces of audit activity that have been deferred until 21/22 Internal Audit Plan, and three pieces of work that have replaced these. (2 audits that have been deferred have not been replaced, these days have been used as a contingency to cover additional days required on other audits and a shortfall of days available due to recruitment of the Senior Auditor post, etc being delayed due to covid).
11. There have been 4 audits concluded since the last update (provided to the September meeting of the Audit and Governance Committee); summaries of findings and current status of management actions are detailed in Appendix 2. The completed audits are as follows:

Directorate	2020/21 Audits	Opinion
Childrens	Troubled Families – 20/21 – Claim 2	n/a
Communities	Highways	Amber
IT	IT Incident Management	Amber
Childrens	Carterton Community College	Amber

## PERFORMANCE

The following performance indicators are monitored on a monthly basis.

<b>Performance Measure</b>	<b>Target</b>	<b>% Performance Achieved for 20/21 audits (as at 09/12/20)</b>	<b>Comments</b>
Elapsed time between start of the audit (opening meeting) and Exit Meeting.	Target date agreed for each assignment by the Audit manager, stated on Terms of Reference, but should be no more than 3 X the total audit assignment days (excepting annual leave etc)	60%	Previously reported year-end figures: 2019/20 61% 2018/19 69% 2017/18 80% 2016/17 60%
Elapsed Time for completion of audit work (exit meeting) to issue of draft report.	15 days	70%	Previously reported year-end figures: 2019/20: 74% 2018/19 82% 2017/18 95% 2016/17 94%
Elapsed Time between issue of Draft report and issue of Final Report.	15 days	75%	Previously reported year-end figures: 2019/20: 74% 2018/19 85% 2017/18 92% 2016/17 75%

The other performance indicators are:

- % of 2020/21 planned audit activity completed by 30 April 2021 - reported at year end.
- % of management actions implemented (as at 9/12/20) - 69%. Of the remaining there are 4% of actions that are overdue, 5% partially implemented and 22% of actions not yet due.  
(At September 2020 A&G Committee the figures reported were 63% implemented, 6% overdue, 6% partially implemented and 25% not yet due)

- Extended Management Team satisfaction with internal audit work - reported at year end.

## **COUNTER-FRAUD**

12. The next counter fraud update to Audit & Governance Committee is scheduled for March 2021.

### **SARAH COX**

Chief Internal Auditor

Background papers: None.

Contact Officer: Sarah Cox: 07393 001246

## APPENDIX 1 - 2012/21 INTERNAL AUDIT PLAN - PROGRESS REPORT

<b>Audit</b>	<b>Planned Qtr Start</b>	<b>Status as at 8/12/20</b>	<b>Conclusion</b>
Corporate / Cross Cutting			
Covid-19 funding / payments – where requested we are reviewing and advising on processes being established, providing assurance on some of the payments and reliefs made.	Q2	Fieldwork	
Commercial Development, Assets and Investments			
Contract Management – Payments by Results Contracts (sample across services) - (Combined Audit and Counter Fraud activity)	Q3	Deferred to 21/22 – see notes below	
Property, Investment & Facilities Management	Q3/Q4	Deferred to 21/22 – see notes below	
Communities			
Highways Contract Management	Q1	Final Report	Amber
Communities / Place and Growth / Finance			
Capital Programme – Governance, Formulation and Prioritisation	Q4	Deferred to 21/22 – see notes below	
Finance			
Payroll	Q1	Draft Report	Amber
Pensions Administration	Q3/Q4	Fieldwork	
Combined audit & counter fraud reviews of financial systems / processes – areas to be determined based upon risk.	Q3/Q4	Additional days spent on Covid 19 funding / payments audits (as above)	-
Childrens			
Childrens Payments via Controcc/LCS Recording – Follow up audit	Q4	Scoping	
Management of Placement Vacancies	Q3	Scoping	
Family Safeguarding Plus – Financial Management	Q4	Scoping	
Troubled Families (3 claims)	Q1-Q4	July Claim -complete	n/a

		Sept Claim – complete March Claim – to do	
ICT new system implementation - Children's Education System (including design of internal controls / processes, including IT security controls)	Q3/Q4	Not started	
ICT – Application audit - Childview System (OYJS)	Q1	Final Report	Amber
SEND (audit started at the end of 2019/20, c/f to 20/21 due to covid-19)	Q1	Final Report	Red
Carterton Community College	Q1	Final Report	Amber
Adults			
Order of St Johns Contract	Q3	Scoping	
Mental Health – Outcomes Based Contract Contribution	Q2	Deferred to 21/22 – see notes below	
Addition to plan: Approved Mental Health Professionals Team	Q4	Scoping (replaces Mental Health OBC)	
Client Charging	Q4	Scoping	
Payments to Providers	Q4	Scoping	
Customers & Organisational Development			
Cultural Services – Music Service	Q3	Fieldwork	
Corporate - Risk Management	Q4	Scoping	
Customers & Organisational Development – ICT			
ICT Incident Management	Q3/Q4	Final Report	Amber
ICT Disaster Recovery Planning	Q1	Final Report	Amber
ICT Asset Management	Q3/Q4	Draft Report	
ICT Web Portals	Q3/Q4	Scoping	
Grant Certification			
Various (approx. 10 for OCC)	Q1-Q4	Better Broadband Programme – complete June 2020.	n/a



		<p>Better Broadband Programme – complete June 2020.</p> <p>Bus Subsidy Grant – complete Sept 2020.</p> <p>Local Transport Capital Funding Grant (Integrated Transport and Highways Maintenance grants) – complete Sept 2020.</p> <p>Local Transport Capital Block Funding (National Productivity Investment Fund) Grant – complete Sept 2020.</p> <p>Disabled Facilities Capital Grant – complete October 2020</p>	
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### Amendments to 2020/21 Internal Audit Plan

<b>Audit</b>	<b>Comment / Replaced with</b>	<b>C/F</b>
<b>Deferred</b> - Combined audit & counter fraud reviews of financial systems / processes – areas to be determined based upon risk.	<b>Added</b> - Additional time required for audits of Covid-19 funding / payments (sample has included Early Years, Transport, Test & Trace and Temporary place of rest site), so original days allocated for these combined reviews utilised on covid payments work instead.	The audit plan / counter fraud plan for 21/22 will include combined reviews of financial systems processes.

<b>Deferred</b> - Contract Management – Payments by Results Contracts (sample across services) - (Combined Audit and Counter Fraud activity)	Deferred to 21/22 due ongoing work with the implementation of the provision cycle. Delays in recruitment of the Senior Auditor and Counter Fraud Officers due to covid have reduced the plan days available, so this audit has not been replaced.	The audit plan / counter fraud plan for 21/22 will include review of contract management activity.
<b>Deferred</b> - Property, Investment & Facilities Management	<b>Added</b> - Deferred to 21/22 due to additional work undertaken by Internal Audit & Counter Fraud Team in response to an investigation involving this service area. Investigation ongoing and will feed into the scope of future Internal Audit activity.	The audit plan for 21/22 will include providing assurance within the area of Property, Investment & Facilities Management. Scope to be determined.
<b>Deferred</b> - Capital Programme – Governance, Formulation and Prioritisation	Deferred to 21/22 due ongoing work with improvements to Capital Governance Framework. Delays in recruitment of the Senior Auditor and Counter Fraud Officers due to covid have reduced the plan days available, so this audit has not been replaced.	The audit plan for early 21/21 will include – Capital Programme review.
<b>Deferred</b> - Mental Health – Outcomes Based Contract Contribution	<b>Added</b> – Deferred to 21/22 due to ongoing transformation work being undertaken with MH OBC. Replaced with an audit of Approved Mental Health Professionals Team (AMHP) – scheduled for start at beginning of Q4.	The audit plan for early 21/21 will include – MH OBC review.

## **APPENDIX 2 - EXECUTIVE SUMMARIES OF COMPLETED AUDITS**

### **Summary of Completed Audits 2020/21 since last reported to Audit & Governance Committee September 2020**

#### **Troubled Families Claim 2 2020/21**

The October 2020 claim consisted of **177 families for Significant & Sustained Progress (SSP)**. This quarter no claim was made for **Continuous Employment (CE)** as the roll out of Universal Credits and system changes to a more complicated income-based calculation means no data has been provided to the Council. Central Government are currently working on a solution for this.

The audit of the previous claim (July 2020) identified no issues or management actions, owing to the previous improvements to the process for identifying duplicate claims and updates to the Think Family Outcome Plan. All previous actions from previous audits have been implemented.

The audit checked a sample of 10% of the total SSP claim (18 families) to ensure that they met the relevant criteria for payment and had not been duplicated in the current or previous claims. Their initial eligibility criteria for inclusion in the Programme were also checked.

#### **Overall Conclusion**

The audit noted the improvements in the internal processes for data checking and validation made following previous claims have remained effective. Testing for duplicates found no families that have previously been claimed for, and no issues were identified with the eligibility or sustained progress of the families sampled.

Due to satisfactory responses having been received for all queries raised by Internal Audit, this claim can be signed off for submission.

As such, no audit findings or management actions were raised.

#### **Highways Contract Management 2020/21 Audit**

Overall conclusion on the system of internal control being maintained	A
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
A: Contract Governance	A	0	5
B: Risk Management	A	0	2
C: Contract Performance	A	0	3
D: Payments and Incentives	A	1	1
		1	11

Opinion: Amber	
Total: 12	Priority 1 = 1 Priority 2 = 11
Current Status:	
Implemented	0
Due not yet actioned	8
Partially complete	0
Not yet Due	4

The Highways Contract payments process has been subject to regular review by Internal Audit since the start of the contract with the current contractor with previous audits noting weaknesses in relation to the monitoring and accuracy of costing of works completed under the contract. It is noted that significant work has been undertaken by the Service, working with Skanska, to improve the way in which the SkanWorks system is used at OCC to provide assurance on the accuracy and timeliness of payments made for works completed under the contract.

A newly established Highways Alliance Board, with representation from OCC senior management, Members, and Skanska Directors, is currently reviewing the contractual arrangements including review of the optional contract extension and identifying potential improvements. Following the outcome of these discussions, it is expected that a joint improvement plan and timetable will be implemented.

Due to this ongoing work, the testing undertaken as part of this audit has focused on the day to day management of the contract, including performance monitoring, escalation and resolution of issues, and reviewing the mechanisms for providing assurance over the accuracy and timeliness of payments.

During the audit, both the Group Manager (Highways Contract), responsible for contract management, and the Head of Commissioning left OCC. It was reported comprehensive hand overs were held, with responsibility for contract management moving to the Head of Service – Highways Maintenance, with the now vacant posts included in the ongoing Provision Cycle review.

Overall the audit found a good system of internal governance in place; appropriate Groups exist to monitor quality, capital finance, revenue finance, and overall contract management, and two Boards exist for escalation of issues, higher level performance monitoring, and key decision making. It was noted however that due to Officer and Member availability, the last few Boards have been cancelled. The new Highways Alliance Board provides some degree of governance oversight, however the absence of the Highways Operation Board (last held in March) and the Strategic Partnership Board (last held in December), means previously established routes to escalate issues and carry out key decisions have not been operational. At the conclusion of the audit it was reported the next Board meetings have been set up and future dates will be arranged shortly, but due to the previously mentioned contract extension work these Boards require further review to ensure a strong governance structure going forwards.

Review of the strategies in place for the management of highways found the Highways Asset Management Policy (HAMP) is out of date (2014-2019), however it

has been reported the suite of Highways Asset Management documents have been extended for a further year, while capital funding processes are reviewed.

With regard to performance monitoring and risk management, areas of good practice noted include reporting of highway maintenance activity through the Community Operations dashboard, providing Deputy Directors with oversight of high level PIs, including Skanska's overall compliance with the contract. Performance indicators are also included as corporate measures, reported to Performance Scrutiny and Cabinet. At the contract management level, a performance dashboard of Operational Performance Indicators (OPIs) is in place and regularly reported on, with Contract Management Group minutes documenting the review of these indicators, discussion around poor performance, and escalation of issues where necessary. However several issues were noted with this, including an example of consistent poor performance where it could not be evidenced action had been taken, a performance indicator where data was not available throughout 2019/20 and 2020/21, and the cancellation of the Strategic Partnership Board meaning the OPIs have not been reviewed for 2020/21 to confirm measures and their targets are still appropriate. It was reported to Internal Audit that a full process review of performance is being carried out by the Highways Maintenance Team, looking at each measure, how data is collected, recorded, and quality assured, and whether it is appropriate. It is therefore intended that these issues will be addressed through the review, with recommendations for improvement being reported to the Strategic Partnership Board.

Similar issues were noted with risk management; while a Highways Partnership Risk Register is in place and was updated quarterly throughout 2019/20, a register for 2020/21 has not yet been developed, a number of risks on the register recorded no progress in reducing the risk score to its target score (instead recording 'no change' each quarter), and while it could be evidenced that the highest scoring risk on the Highways Partnership Risk Register had been escalated to the Community Operations Risk Register, the scoring differed between the registers. It was also noted that the Health & Safety OPI around accident frequency rates did not meet its target at all during 2019/20 or so far in 2020/21, instead fluctuating between RAG ratings of Amber and Red, yet the Highways Partnership Risk Register does not include any risk relating to Health & Safety, and while the Community Operations Risk Register contains several, including unsafe work practices, they are all RAG rated Green.

In terms of finance, positive improvements were noted in the budget monitoring carried out at Group Manager level, following the introduction of new software to produce a dashboard showing forecast spend, commitments, compensation events, and early warnings. While no issues or concerns were reported from the service in terms of individual budget holders' budget monitoring, previous audits have highlighted issues with budget holders' ability to accurately review their costs, and the management action agreed to provide training for budget holders on SkanWorks remains outstanding. Implementation of a further action, introducing reporting on the number of budget holder log-ins to SkanWorks shows this continues to be an issue, with only 20% of budget holders logging on to the system in the months of April, May, and June. As these budget holders are responsible for signing off payment applications against Task Orders in their area, it is unclear what level of

scrutiny is being carried out against the applications, as in the majority of cases, SkanWorks is not being utilised to drill down into costs.

It was also noted Skanska will shortly be replacing SkanWorks with a new system, Causeway, although no definitive date has been provided by Skanska. While it is intended lessons learnt from the implementation of SkanWorks and information sharing with other local authorities who already have Causeway will be utilised, there is currently no project board or group in place to ensure the new system is fit for purpose and information recorded will be accurate, accessible, and reliable.

Follow up testing of actions from previous Highways Payments audits found 4 actions remain outstanding (3 from 2018/19 and 1 from 2016/17). Progress has been reported in implementing all of these, however further action is needed before implementation is complete. These actions have been reassigned to the new contract manager and will continue to be monitored through the 4action tracking system. A further 6 actions have been closed since the previous Highways Audit. This audit confirmed 4 of these have been effectively implemented. Of the remaining two actions, one, relating to the accuracy of defect photos held in SkanWorks, was not tested as part of this audit’s review, and the other, Budget Holder SkanWorks training, was closed at the conclusion of the audit, so implementation has also not been tested.

Due to the Covid-19 pandemic, the audit also reviewed the processes in place to manage additional costs encountered as a result of Covid-19. It was confirmed both the Finance and Provider Cells signed off OCC’s approach, moving to the cost reimbursable pricing structure as a temporary measure, and the addition of two new Task orders. Weekly reports from Skanska tracking the costs assigned to these TOs have been shared with OCC, providing oversight and an audit trail of the additional costs. The same information is also available to OCC on SkanWorks. At the audit’s conclusion in September it was confirmed OCC/Skanska have now reverted back to the standard mechanisms.

**OCC IT Incident Management 20/21**

Overall conclusion on the system of internal control being maintained	A
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Service Desk Function	G	0	0
Incident Logging and Tracking	A	0	2
Incident Management and Escalation	A	0	3
Management Reporting	R	0	1
Access Rights	A	0	2
		0	8

Opinion: Amber	
Total: 8	Priority 1 = 0 Priority 2 = 8
Current Status:	
Implemented	5
Due not yet actioned	0
Partially complete	0
Not yet Due	3

There is an established service desk function within IT Services for dealing with IT incidents and service requests, which is formally structured with defined roles and responsibilities. Incident management procedures are documented and have recently been reviewed in light of a new service desk system that was implemented in July 2020. Details on IT support arrangements and how users can contact the IT service desk are available on the Intranet and were publicised in an IT headline ahead of the new service desk going live. The new portal is the most popular way of users contacting the service desk, followed by phone and email. Service desk analysts have been trained on the new service desk system and also receive other training on areas such as communication skills and telephone etiquette.

A review of the incident logging process confirmed that all relevant details are collected, including customer contact details and a brief description of the incident. As customers enter details of their incident, relevant self-help articles are made available. The logged incident goes into a triage queue where it is assessed by service desk analysts and either resolved or escalated to other support teams for further investigation. The triage process should include prioritising the incident as either urgent, high, medium or low, based on an impact and urgency assessment. However, we found that the priority matrix on the service desk system is not enabled so changing the impact and urgency assessments does not change the overall priority of the incident, which could lead to incidents not being correctly prioritised and resourced accordingly. All incidents should also be categorised but our sample testing of 10 incidents identified 5 where the category field had not been completed. Category fields are used for management reporting on the types of incidents being logged and allow a trend analysis to be performed.

Our testing confirmed that IT agents are updating incident records as they are progressed and the system logs whenever a ticket is transferred from one agent to another. Incident escalation is in place and service level breaches are alerted to the assigned agent and their manager, although these alerts are only sent after the breach has occurred which means there is no opportunity to take any corrective action to prevent the breach from happening. A master call is logged when different users report an incident with the same underlying cause. The resolution of these mater calls should include the identification of the root cause but our testing found that details of this are not always recorded and hence may not be available should the same incident reoccur. Whilst there is a defined process for major incidents, we found that the service desk system is not configured to send out automatic email alerts when a major incident is logged, which could lead to a delay in all relevant

staff being notified. All resolved tickets are confirmed with customers before they are closed and a knowledge base is maintained.

Customers have an opportunity to complete a satisfaction survey when they are emailed at resolution stage and any negative feedback is reviewed and followed up by the IT Service Support Manager. For the period 22 September - 22 October 2020, 406 satisfaction surveys were completed of which 89.4% were positive and 5% were negative. There is no other management reporting in place for the service desk to review their activity and performance.

The number of users with administrator level access to the service desk system should be reviewed and the access provided to IT agents also reviewed as it currently includes the ability to delete tickets, which according to the documented incident management process should be limited to a small number of people.

### **CARTERTON COMMUNITY COLLEGE 2020/21**

Overall conclusion on the system of internal control being maintained	A
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
A: Governance, Policies & Procedures	A	0	5
B: Budget Setting & Management	A	2	3
C: Procurement & Contracts	A	1	1
D: Income	A	0	2
E: Payroll & HR	R	1	5
		4	16

Opinion: Amber	
Total: 20	Priority 1 = 4 Priority 2 = 16
Current Status:	
Implemented	10
Due not yet actioned	0
Partially complete	1
Not yet Due	10

The audit focussed on governance and key financial and HR processes reviewing whether these were operating in accordance with Council requirements including compliance with the Scheme for Financing Schools and



the Financial Manual of Guidance. Weaknesses noted included issues with the timeliness of financial reporting and provision of information to the governing body, the availability of accurate and up to date information on school contracts, inconsistencies in recording practices for support staff annual leave arrangements and an anomaly in relation to the outcome of the staff restructuring process. Appropriate management actions were agreed to address all the weaknesses identified and, since conclusion of the audit, a significant number of these actions have already been reported as implemented.

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Division(s): N/A

## **AUDIT AND GOVERNANCE COMMITTEE – 13 January 2021**

### **Cyber Security Report**

**Report by Director of IT, Digital and Transformation**

#### **RECOMMENDATION**

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

#### **Purpose of the Report**

2. This report summarises key points regarding Oxfordshire County Council (OCC) Cyber Security posture.

#### **Cyber Security Update**

3. OCC is Public Sector Network (PSN), Cyber Essentials and Cyber Essentials Plus compliant. This demonstrates data security best practice is being followed and that security arrangements, policies, processes, infrastructure and applications have been verified.
4. In July 2020, a joint Cyber Security Officer for OCC and Cherwell District Council (CDC) was appointed, with the responsibility to ensure that the organisations remain protected and compliant in relation to IT, cyber security and threat management.
5. COVID-19 and the increase in homeworking have presented cyber security challenges, including a general increase in scam or phishing emails. Existing security solutions have been vital in blocking these threats. Approximately 500 scam emails per week are being blocked and 3000 phishing websites have been blocked in the last quarter of 2020.

6. There has been recent concern regarding the threat of Ransomware following warnings from the Cabinet Office and National Cyber Security Centre (NCSC). The IT Service team frequently review NCSC guidance and ensures that adequate controls are in place to mitigate any threat should an incident occur.
7. Potential information security incidents are reviewed by the Information Management team, the IT Service including the Cyber Security Officer.
8. Work continues to identify improvements to existing security infrastructure, as well as the best ways to increase Staff and Member awareness regarding the ongoing threats.
9. There are several projects underway and others planned to ensure any potential weaknesses are addressed and that everything possible is being done to mitigate this ongoing corporate risk.

**TIM SPIERS**

Director – IT, Digital and Transformation

Background papers – NIL

Contact Officer: Tim Spiers, Director – IT, Digital and Transformation  
[Tim.spiers@oxfordshire.gov.uk](mailto:Tim.spiers@oxfordshire.gov.uk)

January 2021

**AUDIT AND GOVERNANCE COMMITTEE**

**Skanska Highways Contract Audit**

**Purpose**

1. **To provide a quick update on Governance arrangements and the new payment management system**

**Governance Overview**

2. The departure of Steve Smith (Head of Commissioning) and Rebecca Harwood (Highway Contracts Manager) meant that some of the responsibilities around the Skanska contract governance needed to be updated and re-established. This has been done.
3. There will also be a need to evolve and update the governance as the Commissioning Hub (as part of the provision cycle redesign) is established and the new Environment & Place directorate is evolved with the new Corporate Director.
4. The governance arrangements that are now currently in place to manage the contract and its performance are identified below.

**Strategic Partnering Board:** Chaired by Relevant Cabinet Member, attended by Senior OCC and Skanska leadership team. Frequency is quarterly (unless greater frequency required). Has specific responsibilities as defined in the contract plus acts as escalation from the Highways Operations Board. This last met mid Oct, with the next meeting planned late January.

**Highways Operation Board:** Chaired by OCC Assistant Director, attended by senior OCC and Skanska officers, with operational group leads providing updates and escalated issues for decision/action. Frequency is monthly. The Operational Groups are:

- Contract Management Group (Chair - Sean Rooney)
- Capital Programme Group (Chair - Declan Moss)
- Operations & Revenue Group (Chair - Su Brant)
- Quality & Safety Executive (Chair - Richard Lovewell)

5. There are also specific responsibilities defined in the contract in relation the Transport Service Manager functions. This role has now been assigned to Sean Rooney (Head of Highway Maintenance).

**Payment Management System**

6. The existing payment management system 'Skanworks', is being replaced by Skanska as part of a company wide initiative. Whilst Skanska did manage to eventually get the system functioning so that it delivered what was necessary for Oxfordshire, this was

through a number of 'fixes'. The system is relatively old at 5 years and IT advancements have meant there are better products now available.

7. Skanska is familiar with the Causeway system from a finance perspective, and over the past few years Causeway have been developing their offering around operational management and mobile working whereas SkanWorks required (and still does) development to achieve this.
8. The impact is expected to be minimal. Oxfordshire (intentionally) are the final highways contract to receive Causeway in the roll-out. It is currently live in all their other contracts.
9. Devon has the same Client system (WDM) as us, and there are the same Skanska personnel working with the OCC team to ensure that the interface is functional and robust. There is therefore a high level of confidence that problems (if any) will be minimal.
10. As well as the technical aspect of the system delivery, staff engagement sessions have taken place and training sessions being planned to ensure it is familiar to staff who will need to use it.
11. Weekly meetings to check on risks, progress to programme and issues are held between OCC and Skanska project leads and Paul Fermer (Assistant Director). The plan is to have Causeway fully operational by early March, the existing system will only be switched off once there is full confidence in the new system.

Report by                      Jason Russell, Corporate Director – Communities  
Contact Officer              Paul Fermer, Assistant Director – Community Operations

January 2020

## **AUDIT & GOVERNANCE COMMITTEE – 13 January 2021**

### **REPORT OF THE AUDIT WORKING GROUP – 16 December 2020**

#### **Report by Director of Finance**

#### **RECOMMENDATION**

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

#### **Executive Summary**

2. The Audit Working Group met on 16 December 2020. The group received the quarterly internal audit progress report and also the annual whistleblowing report. Officers attended to provide updates on the implementation of the agreed action plan from the previous audit of Direct Payments and also an update from the recent external review of the procurement award process. The group considered an update from the audit of ContrOCC Childrens Payments.

#### **Introduction**

##### **Attendance:**

Full Meeting: Chairman Dr Geoff Jones Councillors: Nick Carter, Roz Smith, Deborah McIlveen, Glynis Phillips and Charles Mathew.

Ian Dyson, Assistant Director of Finance; Sarah Cox, Chief Internal Auditor, Lucy Tyrrell, Committee Officer, Katherine Kitashima, Audit Manager, Erin Cribben, Assistant Auditor.

##### **Part Meeting:**

Glenn Watson, Principal Governance Officer, Steve Jorden Corporate Director for Commercial Development, Assets and Investment, Karen Fuller Deputy Director of Adult Social Care, Natalia Lachkou Programme and Change Manager.

#### **Matters to Report:**

##### **AWG 20.27 Annual Whistleblowing Report**

3. The group considered the annual report of Whistleblowing received from staff or the public. Individual cases and the outcomes were noted.

##### **AWG 20.28 Review of Procurement Award Process**

4. Following a recent external review of a procurement award process, which was commissioned by the Chief Executive, a report and action plan was presented and considered by the AWG. The group expressed concern that this has not been brought to the AWG at an earlier stage, due to the

significance of the weaknesses that the report had highlighted. This was acknowledged by officers but explained that the report was provided at the next available meeting once final settlement had been reached and Informal Cabinet notified. The group noted the action plan setting out activities to address the issues identified and actions taken to date.

5. It was agreed that this item should be referred to the full A&G committee and will be scheduled for the March meeting.

#### **AWG 20.29 Direct Payments**

6. The group received a further update on the progress in addressing the weaknesses identified during the audit of Direct Payments completed during 2019/20, which had an overall grading of Red. The group noted the work already being undertaken to transform Oxfordshire's approach to direct payments, noting the key priorities and action plan progress.
7. The group were satisfied with the progress made to date, however acknowledged there is still significant work to be completed to fully implement that agreed action plan and implement the new ways of working. The group requested a further update to be made to the June meeting.

#### **AWG 20.30 Internal Audit Update**

8. The group received an update from the Chief Internal Auditor on progress against the Internal Audit Plan. A full update on plan progress is due to be made to the January A&G committee.
9. The group noted the ongoing follow up of Red reports and have scheduled updates from officers at future AWG meetings to report back on progress of implementation of agreed actions.
10. The group noted the positive improvement with the implementation of priority 1 management actions, and also previous actions which had not been responded to. Where actions remain outstanding from previous financial years these will continue to be followed up by Internal Audit with each Directorate.
11. The group considered the executive summaries from the reports finalised since the last update to the A&G committee is September. It was noted from the Highways Contract audit that a new system will be implemented by the contractor. The group requested an update for the January committee.

#### **AWG 20.31 Children's ContrOCC Payments**

12. A paper was circulated and considered, which provided the group with an update on the 2019/20 audit of Children's ContrOCC Payments, finalised in May 2020, which had an overall grading of Red.



13. The group noted that the majority of the actions were now reported as complete and that these actions are now mitigating the material system risks that were previously identified. The remaining actions are in progress and are being managed, however these represent only a low risk exposure.
14. The group noted that Internal Audit are due to undertake a follow up audit, which will provide assurance over the effectiveness of the implementation of the action plan. This will be reported back to the AWG.

**LORNA BAXTER,**  
Director of Finance

Contact Officer: Sarah Cox, Chief Internal Auditor  
December 2020.

[sarah.cox@oxfordshire.gov.uk](mailto:sarah.cox@oxfordshire.gov.uk)

Date of next AWG meeting Wednesday 10 February 2021 at 14:00

Agenda items for AWG February meeting:

- Risk Management Update – including Leadership Risk Register
- Directorate Risk Management Update – CDAI.
- SEND

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## Audit & Governance Committee - 13 January 2021

### MEMBERS CODE OF CONDUCT – DECISION NOTICE

Report by the Director of Law & Governance and Monitoring Officer

#### RECOMMENDATION

1. **The Committee is asked to note the decision of the Interim Monitoring Officer with regard to a Members' Code of Conduct Complaint concerning Cllr Liam Walker.**

#### Introduction

2. On 19 October 2020, Cllr Walker, then also Cabinet Member for Highways Improvement, endorsed an offensive tweet during the course of an exchange on social media about cycling. The Interim Monitoring Officer received 11 complaints from members of the public and so engaged the Council's *Arrangements for Dealing with Complaints Against Members*. This was to determine whether the Members' Code of Conduct had been breached and, if so, what remedy, permitted by the *Arrangements*, was appropriate.
3. The Interim Monitoring Officer, as envisaged by the Arrangements discussed the matter with the Independent Person retained by the Council for such purposes. He also discussed the matter with Cllr Walker and the Leader of the Council. An investigation report was drawn up. As a result of this and given that Cllr Walker had previously been found in breach of the Code for misuse of social media, the Interim Monitoring Officer convened a hearing of the Members Advisory Panel.
4. A Panel is formed of up to three members of this Committee, with members from at least two political parties. The *Arrangements* are clear that the purpose of the Panel is to advise the Monitoring Officer whether, in their view, the Code has been breached and if so to offer a view on any appropriate remedy. The final decision is that of the Monitoring Officer. The Panel consisted of two members, one each from the Conservative-Independent Alliance and the Labour Groups.
5. This report confirms the Interim Monitoring Officer's decision and fulfils the *Arrangement's* requirement that this Committee be informed of the outcome. This is appropriate given the Committee's overview of member ethical standards and because a Panel is drawn from its membership.

#### The Decision Notice

6. The *Arrangements for Dealing with Complaints Against Members* require the Monitoring Officer to issue a Decision Notice on a Code of Conduct complaint

following a Members' Advisory Panel. The Decision Notice is **annexed** to this report.

7. The Interim Monitoring Officer's decision was reached on advice from the Members' Advisory Panel and in consultation with the Independent Person. The decision was that:
  - 1) **Cllr Walker's actions in endorsing the tweet were a breach of the Members' Code of Conduct.**
  - 2) **The breach was rendered particularly serious given Cllr Walker's status as Cabinet Member for Highways; and given that Cllr Walker had previously been found in breach of the Code for a misuse of social media;**
  - 3) **Accordingly, the Leader of the Council be recommended to remove Cllr Walker from the Cabinet with effect from 1 January 2021; and that Full Council receive note of the Panel's view.**
8. As envisaged by the *Arrangements*, the decision notice was given to Cllr Walker and to the complainants. It is also being made available to the public.

### **The outcome**

9. Since the decision notice was issued, Cllr Walker has resigned from the Cabinet. The Leader has appointed Cllr Eddie Reeves in his place as Cabinet Member for Highways Improvement.

### **Conclusion**

10. The *Council's Members' Code of Conduct* and the *Arrangements for Investigating Complaints Against Councillors* have proved effective. Both in terms of their availability to the public who wished to make a complaint, and to their intended purpose of contributing to high standards of conduct; and in creating public confidence in the Council's commitment to them. Several of the complainants expressed themselves satisfied with the arrangements and the outcome. This was the first time, under the current standards regime, that the convening of a Members' Advisory Panel was considered appropriate. The contribution made by it to the Interim Monitoring Officer's decision was useful.

Report of Anita Bradley, Director of Law & Governance and Monitoring Officer

Contact Officer:

Glenn Watson, Principal Governance Officer, [glenn.watson@oxfordshire.gov.uk](mailto:glenn.watson@oxfordshire.gov.uk)  
07776 997946

January 2021.

## **Decision Notice by the Monitoring Officer – 15 December 2020 Complaint against County Councillor Liam Walker**

On 19 October 2020, Cllr Liam Walker (member for Hanborough & Minster Lovell and Cabinet Member for Highways) endorsed an offensive and derogatory tweet by a member of the public during a discussion of public cycling policy.

11 complaints were received by the Monitoring Officer. The Monitoring Officer considered these complaints under the County Council's [Arrangements for Dealing with Complaints Against Members](#). The question at issue was whether Cllr Walker's actions had breached the [Members' Code of Conduct](#) and, if so, what if any appropriate sanctions should be proposed.

In considering the matter, the Monitoring Officer sought the advice of an Independent Person appointed by the Council for such purposes. The Monitoring Officer was also mindful that Cllr Walker had previously been found in breach of the Code for a misuse of social media. Given the nature of the complaints and of this wider context, the Monitoring Officer convened a meeting of a Members' Advisory Panel to advise him further. The Independent Person supported these conclusions.

### **Members' Advisory Panel**

Under the *Arrangements for Dealing with Complaints Against Members*, the Panel was formed from councillor members of the Audit & Governance Committee, with members drawn from at least two political parties.

The two-person Panel met to consider the matter on Friday 11 December 2020. Cllr Walker was invited to attend the Panel but did not choose to do so due to work commitments and did not submit any written information. The Panel was unanimous in advising the Monitoring Officer of their view that, on the basis of the evidence:

- The actions complained about by Cllr Walker were a breach of the Members' Code of Conduct;
- Given Cllr Walker's status as Cabinet Member for Highways, the breach was particularly serious. As such, and given the context of a previous breach regarding social media, the Monitoring Officer be advised to adopt the sanction whereby the Leader of the Council be asked to remove Cllr Walker from the Cabinet; and that the Panel's views be reported to Full Council;
- The Panel considered it regrettable that Cllr Walker had not taken the opportunity to attend or to provide any written comments to the Panel. Cllr Walker had said he could not attend due to work commitments; and was not aware that written comments were possible.

### **Decision of the Monitoring Officer**

**Taking the above into account, the Monitoring Officer finds that:**

- 1. Cllr Walker's actions in endorsing the tweet were a breach of the Members' Code of Conduct.**
- 2. The breach was rendered particularly serious given Cllr Walker's status as Cabinet Member for Highways; and given that Cllr Walker had previously been found in breach of the Code for a misuse of social media;**

- 3. Accordingly, the Leader of the Council be recommended to remove Cllr Walker from the Cabinet with effect from 1 January 2021; and that Full Council receive note of the Panel's view.**

**Steve Jordan  
Interim Monitoring Officer  
Oxfordshire County Council**

## AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME – 2020/21

### **03 March 2021**

Ernst & Young – Progress Report inc. Audit Plan (Janet Dawson/Adrian Balmer/Chandrika Sharma)  
Scale of Election Fees and Expenditure (Glenn Watson)  
Audit & Governance Committee Annual Report to Council 2020 (The Chairman)  
Progress update on Annual Governance Statement Actions (Glenn Watson)  
Constitutional Review (Glenn Watson)  
Counter-fraud Update (Sarah Cox and Tessa Clayton)

### **12 May 2021**

Annual Governance Statement (Glenn Watson)  
Annual Report of the Chief Internal Auditor 2020/21 (Sarah Cox)  
Internal Audit Strategy & Annual Plan 2021/22 (Sarah Cox)  
Annual Scrutiny Report (Robin Rogers)  
Ernst & Young - Progress Report (Janet Dawson)  
OFRS Statement of Assurance 2020-21 (Don Crook)  
Draft narrative statement and Accounting Policies for inclusion in the Statement of Accounts (Hannah Doney)

### **21 July 2021**

Statement of Accounts 2020/21 (Hannah Doney)  
Ernst & Young – Final Accounts Audit (Janet Dawson)  
Treasury Management Outturn 2019/20 (Tim Chapple)  
Internal Audit Charter (Sarah Cox)  
Counter-fraud Plan 2021/22 (Sarah Cox)

### **15 September 2021**

Local Government Ombudsman's Review of Oxfordshire Co (Steve Jordan)  
Monitoring Officer Annual Report (Steve Jordan)  
Constitution Review (Steve Jordan/Glenn Watson)  
Surveillance Commissioner's Inspection and Regulation of Investigatory Powers Act (Richard Webb)  
OFRS Statement of Assurance 2020-21 (Don Crooks)  
Ernst & Young – 2020/21 Annual Audit Letter (Janet Dawson)  
Counter-fraud Plan 2021/22 (Ian Dyson)  
Internal Audit Plan – Progress Report (Sarah Cox)

### **Standing Items:**

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

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