



To: Members of the Audit & Governance Committee

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

Wednesday, 15 March 2023 at 2.00 pm

Council Chamber - County Hall, New Road, Oxford OX1 1ND

If you wish to view proceedings, please click on the Live Stream Link on the website. Please note, that will not allow you to participate in the meeting.

Martin Reeves
Chief Executive

*Committee Officers: Committee Services
Email: committees.democraticservices@oxfordshire.gov.uk*

Membership

Chair – Councillor Roz Smith
Deputy Chair - Councillor Brad Baines

Councillors

Yvonne Constance OBE
Ted Fenton
Nick Leverton

Ian Middleton
Freddie van Mierlo
Judy Roberts

Co-optee

Dr Geoff Jones

Notes:

- ***Date of next meeting: 10 May 2023***



AGENDA

- 1. Apologies for Absence and Temporary Appointments**
- 2. Declaration of Interests - see guidance note**
- 3. Minutes (Pages 1 - 10)**

To approve the minutes of the meeting held on Wednesday 18 January 2023 and to receive information arising from them.

4. Petitions and Public Address

Members of the public who wish to speak at this meeting can attend the meeting in person or 'virtually' through an online connection.

To facilitate 'hybrid' meetings we are asking that requests to speak or present a petition are submitted by no later than 9am four working days before the meeting i.e., 9am on Thursday 9 March 2023. Requests to speak should be sent to jonathan.deacon@oxfordshire.gov.uk.

If you are speaking 'virtually', you may submit a written statement of your presentation to ensure your views are taken into account. A written copy of your statement can be provided no later than 9am 2 working days before the meeting. Written submissions should be no longer than 1 A4 sheet.

5. Future Highway Maintenance Contract (Pages 11 - 32)

Report by the Corporate Director for Environment and Place.

The existing highways maintenance contract with M-Group Infrastructure (Milestone) is set to expire on 31st March 2025 with no options to extend remaining. Oxfordshire County Council therefore needs to undertake a procurement of a new contract prior to the expiry of the existing.

The Audit and Governance Committee is **RECOMMENDED** to note the governance in place and associated process being followed for the procurement of the future highway maintenance contract.

6. Annual Report of the Audit & Governance Committee (Pages 33 - 44)

Report by the Director of Finance.

In accordance with The Chartered Institute of Public Finance & Accountancy (CIPFA) Audit Committee Guidelines for Local Authorities 2022, it is recommended practice for an annual public report to be produced and reported to Council demonstrating how the Committee has discharged its responsibilities.

The Audit & Governance Committee is **RECOMMENDED** to review the draft report, agree any amendments and finalise in preparation for presentation to Council by the Chair of the Audit & Governance Committee.

7. Treasury Management 3rd Quarter Performance Report 2022/23 (Pages 45 - 64)

Report by Director of Finance.

This report covers the treasury management activity for the third quarter of 2022/23 in compliance with the CIPFA Code of Practice on Treasury Management 2021. It provides an update on the anticipated position and prudential indicators set out in the Treasury Management Strategy Statement & Annual Investment Strategy for 2022/23 agreed as part of the Council's budget and Medium Term Financial Strategy in February 2022.

The Audit & Governance Committee is **RECOMMENDED** to note the report, and **to RECOMMEND** Council to note the Council's treasury management activity in the third quarter of 2022/23.

8. Scale of Election Expenses 2023-24 (Pages 65 - 74)

Report by Director of Law & Governance and Monitoring Officer.

The Audit and Governance Committee is **RECOMMENDED** to note the Scale of Election Expenses for the financial year 2023/24, as shown in the Annex to this report, for the election of County Councillors and any other poll associated with the County Council during the year.

9. Oxfordshire Code of Corporate Governance (Pages 75 - 88)

Report by the Director of Law and Governance and Monitoring Officer.

In 2016 CIPFA & SOLACE produced an updated guidance and framework with the identified principles that should underpin the governance of each local authority, and a structured approach to assist individual authorities to achieve good governance, "Delivering Good Governance in Local Government: Framework 2016 Edition." The Council's Code of Corporate Governance is based upon this guidance.

The Committee is **RECOMMENDED** to approve the Oxfordshire Code of Corporate Governance.

10. Ernst & Young update

A verbal update from the representatives of the Council's external auditors, Ernst & Young.

11. Draft Audit Plan 2021/22 (Pages 89 - 134)

Report by the Council's external auditors, Ernst & Young.

The purpose of the report is to provide the Audit and Governance Committee with a basis to review the proposed audit approach and scope for the 2021/22 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

12. Constitution Change - Employment Rules Part 8.4 C

Report by the Director of Law and Governance

The purpose of the proposals for amendment to the Employment Procedure Rules Part 8.4 is to update the rules in the Council's constitution relating to the appointment and dismissal of its statutory and non statutory chief officers.

The Committee is **RECOMMENDED** to recommend to Council to approve the proposals for amendment to the Employment Procedure Rules Part 8.4 in the Councils Constitution.

13. Audit Working Group Update - 8 February meeting (Pages 135 - 138)

Report by the Director of Finance.

This report sets out the matters considered by the Audit Working Group at the meeting held on 8 February 2023.

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

14. Counter Fraud Update (Pages 139 - 144)

Report by the Director of Finance.

This report presents a summary of activity against the Counter Fraud Plan for 2022/23, presented to the July 2022 Audit & Governance Committee meeting. The Counter Fraud plan supports the Council's Anti-Fraud and Corruption Strategy by ensuring that the Council has proportionate and effective resources and controls in place to prevent and detect fraud as well as investigate those matters that do arise.

The Committee is **RECOMMENDED** to note the summary of activity against the Counter Fraud Plan for 2022/23.

15. Renewal of the Appointment of Independent Persons (Pages 145 - 148)

Report by the Director of Law & Governance and Monitoring Officer

The County Council must appoint one or more Independent Persons whose views are to be sought, and considered, by the authority before it makes its decision on an allegation that a councillor has breached the Members' Code of Conduct.

The Committee is **RECOMMENDED** to receive notice of the extension of the appointment of Mr Martyn Hocking and Mr Nicholas Holt-Kentwell to the role of Independent Persons for Oxfordshire County Council for a second term of two years from 14 July 2022 to 13 July 2024. Independent Persons perform a key role in the Council's procedures for investigating any such complaints.

Close of meeting

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

Councillors declaring interests

General duty

You must declare any disclosable pecuniary interests when the meeting reaches the item on the agenda headed 'Declarations of Interest' or as soon as it becomes apparent to you.

What is a disclosable pecuniary interest?

Disclosable pecuniary interests relate to your employment; sponsorship (i.e. payment for expenses incurred by you in carrying out your duties as a councillor or towards your election expenses); contracts; land in the Council's area; licenses for land in the Council's area; corporate tenancies; and securities. These declarations must be recorded in each councillor's Register of Interests which is publicly available on the Council's website.

Disclosable pecuniary interests that must be declared are not only those of the member her or himself but also those member's spouse, civil partner or person they are living with as husband or wife or as if they were civil partners.

Declaring an interest

Where any matter disclosed in your Register of Interests is being considered at a meeting, you must declare that you have an interest. You should also disclose the nature as well as the existence of the interest. If you have a disclosable pecuniary interest, after having declared it at the meeting you must not participate in discussion or voting on the item and must withdraw from the meeting whilst the matter is discussed.

Members' Code of Conduct and public perception

Even if you do not have a disclosable pecuniary interest in a matter, the Members' Code of Conduct says that a member 'must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself' and that 'you must not place yourself in situations where your honesty and integrity may be questioned'.

Members Code – Other registrable interests

Where a matter arises at a meeting which directly relates to the financial interest or wellbeing of one of your other registerable interests then you must declare an interest. You must not participate in discussion or voting on the item and you must withdraw from the meeting whilst the matter is discussed.

Wellbeing can be described as a condition of contentedness, healthiness and happiness; anything that could be said to affect a person's quality of life, either positively or negatively, is likely to affect their wellbeing.

Other registrable interests include:

- a) Any unpaid directorships

- b) Any body of which you are a member or are in a position of general control or management and to which you are nominated or appointed by your authority.
- c) Any body (i) exercising functions of a public nature (ii) directed to charitable purposes or (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which you are a member or in a position of general control or management.

Members Code – Non-registrable interests

Where a matter arises at a meeting which directly relates to your financial interest or wellbeing (and does not fall under disclosable pecuniary interests), or the financial interest or wellbeing of a relative or close associate, you must declare the interest.

Where a matter arises at a meeting which affects your own financial interest or wellbeing, a financial interest or wellbeing of a relative or close associate or a financial interest or wellbeing of a body included under other registrable interests, then you must declare the interest.

In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied:

Where a matter affects the financial interest or well-being:

- a) to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
- b) a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest.

You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

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AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 18 January 2023 commencing at 2.00 pm and finishing at 3.53 pm

Present:

Voting Members: Councillor Roz Smith – in the Chair

Councillor Brad Baines
Councillor Yvonne Constance OBE
Councillor Ted Fenton
Councillor Nick Leverton
Councillor Ian Middleton
Councillor Freddie van Mierlo
Councillor Judy Roberts
Councillor Michael O'Connor (substituting for Councillor Michele Paule)

Other Members in Attendance: Dr Geoff Jones (Co-Opted Member).

By Invitation:

Officers:

Whole of meeting Lorna Baxter (Director of Finance), Anita Bradley (Director of Law and Governance and Monitoring Officer), Paul Grant (Interim Head of Legal and Deputy Monitoring Officer), Sarah Cox (Chief Internal Auditor), Louise Tustian (Head of Insight and Corporate Programmes), Simon Harper (Head of Governance) and Jonathan Deacon (Interim Democratic Services Officer).

Part of meeting Tim Chapple (Treasury Manager), Georgina Cox (Principal Auditor), Katherine Kitashima (Audit Manager) and Emma Vickers (Assistant Auditor).

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

1/23 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies for absence were received from Councillor Michele Paule and Councillor Calum Miller, Cabinet Member for Finance. Councillor Michael O'Connor substituted for Councillor Paule.

2/23 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE

(Agenda No. 2)

There were none.

3/23 MINUTES

(Agenda No. 3)

The Committee approved the minutes of the meeting held on 23 November 2022 and authorised the Chair to sign them as a correct record.

4/23 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

There were none.

5/23 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2023/24

(Agenda No. 5)

The Committee received a report outlining the Council's strategic objectives in terms of its debt and investment management for the financial year 2023/24. Tim Chapple, Treasury Manager, presented the report. He stated that the Strategy was based on having an annual cash balance for the year of £480m. This figure was net of £178m of internal borrowing this financial year.

Mr Chapple affirmed that the Treasury Management Strategy team would prioritise security and liquidity above all other considerations in relation to investments. They had sought to take advantage of the peaking interest rates. They were proposing a small increase in the long term lending limit from £185m to £200m. The forecasted return for the year was around 3%. In house interest receivable for 2023/24 was budgeted to be at £11.02m for the financial year.

In respect of external funds, no change was proposed to the Council's holding for 2023/24 and this was expected to produce income of £3.81m. Mr Chapple brought to the Committee's attention that the Government had extended the IFRS9 statutory override which meant that any fluctuations to the value of the external funds would not impact on the revenue account. They would continue to be reflected in the balance sheet and that would be rolled over for a further two years. In the meantime, the team would consider its approach to the override and it was likely that a reserve would be built up for future years to address any fluctuations.

Mr Chapple explained that the internal borrowing position was impacted by the very high level of cash balances coupled with the higher borrowing rates in the short term,

which were forecasted to drop by about 2% over the next 18 months. This meant that it was not the right time to borrow right now. The current approach was to use internal balances to fund the capital programme and it would be re-financed at a more suitable time. A combined long term lending and internal borrowing limit of £380m was proposed for the financial year.

In response to questions, Mr Chapple and Lorna Baxter, Director of Finance, made the following points:

- It was anticipated that the cash balance would fall with the Council borrowing internally, deliver the capital programme and the Unusable Dedicated Schools Grant Reserve (DSG) deficit increased. It was noted that the Council was spending more slowly than expected and this had resulted in the cash balance increasing.
- The risk was likely to have lessened recently of any lenders calling in any of the Lender's Option Borrower's Options. It reflected the position in the bond yield market and the bond yields had reduced significantly since the Autumn.
- It was forecasted that the DSG would cost the Council in the region of £2.5m to £3m in interest per annum. There was a lot of work being undertaken by the directorate in relation to a high needs deficit recovery plan. The Council was part of the DfE's Delivering Better Value programme involving 50 local authorities with the aim of identifying ways to bring the budget back into balance. There was a significant difference between the funding received from the Government and the spend being incurred in respect of the high needs budget. The challenge was when the deficit currently being held off the balance sheet impacted on the reserves. This was a national issue with over half the 151 local authorities in England with education responsibilities having significant deficits arising from high needs costs.
- Any Council investments had to meet the very strict security and liquidity criteria. It was confirmed that the Treasury Management Strategy team did due diligence on borrowers, including if they were perceived to have poor financial management practices or were invested in aspects that the Council would not wish to invest in. It was also confirmed the Council did not invest in derivatives.
- There was a proposed capital programme going to Cabinet for their consideration the following week and then was scheduled for Council in February. It was ensured that there was a balanced programme with some headroom to allow for some further investments to be made.
- It was queried what the position would be if the rating of the Council's bank, currently Lloyds Bank Plc, was downgraded. The Committee was advised that it had been decided in 2008 that the Council might not place its deposits with the bank but it was satisfied that banking with them was lower risk due to there being different risks with holding a bank account than in lending to them. The position would likely be similar today.
- The capital financing requirement was due to go up to approximately £600m in the medium term based on the current trajectory of expenditure. The team was confident it could borrow affordably to fund that either internally or externally. There had been a review of the capital programme in the Summer of 2022 to see what the impact might be of higher inflationary costs over the total programme. Specific principles had resulted from the review including

that the programmes need to manage within their own funding envelopes. There was also a contingency within the capital programme which allowed for 3% of the total programme to pick up any unforeseen costs. The capital programme was over a ten year period and there was an ability during that period to make adjustments if there was a priority which needed to be delivered.

RESOLVED: That the Committee endorsed the Treasury Management Strategy for 2023/24 as outlined in the report.

6/23 FINANCIAL MANAGEMENT CODE OF PRACTICE COMPLIANCE ASSESSMENT

(Agenda No. 6)

Lorna Baxter, Director of Finance, presented the paper which was the third annual report to the Committee. The Financial Management Code sets out how Chief Financial Officers should satisfy their statutory responsibility for good financial administration. It also emphasised the collective financial responsibility of the whole leadership including the relevant elected Members. An assessment was required on an annual basis of compliance with the Code and CIPFA had now confirmed that it was the role of this Committee to consider this.

Ms Baxter explained that there were 19 elements of the Code which required compliance and had been assessed by officers through the Senior Leadership Team. Of these, one was rated 'amber' and the rest were rated 'green'. The Director of Finance and other senior officers considered that the Council was compliant with the Code and with the further work identified, it was hoped that it would be possible to have a green rating for all 19 elements of the Code next year.

The Committee noted that the 'amber' rating had been in relation to the CIPFA requirement that 'the leadership team is able to demonstrate that the services provided by the authority provide value for money'. Ms Baxter stated that the view of the Senior Leadership Team was that there was benchmarking by individual services but it was not sufficiently systematic or consistent across the Council in terms of having done a value for money assessment. It was now intended to put in place a more systematic approach as part of the budget and business planning process to ensure that services consider value for money at that point.

Ms Baxter clarified in response to questions that evidence would be required to show that the directorates across the Council had carried out the value for money assessment. There would be an update on the implementation of the new procurement model at the May meeting of the Committee, including how the service was developing.

RESOLVED: That the Committee endorsed the assessment of compliance against the Financial Management Code.

7/23 COUNCIL MOTION: EDUCATION SCRUTINY COMMITTEE

(Agenda No. 7)

Anita Bradley, Director of Law and Governance and Monitoring Officer, referred to the fact that the Council had passed a motion at its meeting on 1 November 2022 to undertake a review of the Council's governance. This would be taken forward by a working group and would report to the Audit and Governance Committee, which in turn would report to Council.

Ms Bradley added that at the meeting of Council on 13 December 2022, a motion had been passed by Council to, as part of the governance review, examine whether there should be a separate education scrutiny committee. The Committee was being asked to endorse considering the separate scrutiny committee as part of the governance review.

It was noted that the first meeting of the Governance Review Working Group was scheduled to take place in January 2023. It was anticipated that the Working Group would report back to the Audit and Governance Committee in July and September 2023 with any recommendations to the Committee in November.

It was confirmed that scrutiny of education matters currently sat within the remit of the People Overview and Scrutiny Committee. In the event that the Audit and Governance Committee was content to endorse the Council's motion at the current meeting, there was still the option that whilst the need for an education scrutiny committee was being considered, People OSC had the ability to scrutinise education matters in greater detail.

RESOLVED: That the Committee agreed to consider the question of whether the Education Scrutiny Committee should be re-established as part of its review of the Council's scrutiny function in any governance review.

8/23 ANNUAL GOVERNANCE STATEMENT 2021/22 - UPDATE ON ACTIONS

(Agenda No. 8)

The Committee received an update on the actions from the Annual Governance Statement (AGS) 2021/22. Ms Bradley explained that local authorities are required to prepare an AGS to be transparent about their compliance with good governance principles and to give an opinion on the effectiveness of these arrangements. The action plan had been established to identify the areas of focus for the year following. There were eight areas identified in the AGS 2021 and the report set out in paragraphs 7 to 16 the progress against each of the actions.

In response to questions relating to updates in the report, Ms Bradley confirmed that it had been necessary to halt the review of the Constitution because any changes created by the governance review would be likely to lead to changes to the Constitution. She also clarified that it was still expected that the Cherwell-Oxfordshire Decoupling Programme would be completed in January. There had been delegations to the officers to undertake the Decoupling Programme. Documentation was due to be received from external lawyers in respect of regulatory services which was agreed in principle and this was the one aspect remaining to be concluded.

In respect of Subject Access Requests (SARs), the Council was receiving roughly 500 a year. This figure had gone up since 2020 by approximately 150. Not only the volume had increased but also the complexity of the Requests. This included social care files which often required input from social workers in terms of what could and could not be disclosed. The plan was to complete the backlog SARs by March, with the backlog arising from the Covid period when it was much more difficult to access physical files.

Ms Bradley stated that the Council had a social media policy and she was working with colleagues in Communications on advice for Members relating to social media. A training session was anticipated to take place before the end of March.

RESOLVED: That the Committee **NOTED** the update on the actions from the Annual Governance Statement 2021/22.

9/23 INTERNAL AUDIT 2022/23 PROGRESS REPORT

(Agenda No. 9)

Sarah Cox, Chief Internal Auditor, presented the quarterly progress report. She stated that recruiting to fill the Senior Auditor post was still ongoing and agencies were continuing to be consulted on providing appropriate candidates. To assist with Q4 in 2022, one of the Council's ex-principal auditors had been recruited on a casual basis. The Senior Auditor vacancy was having some impact on progress with the Internal Audit Plan. There had been three additions to the Plan since the last update and five audits that had been removed or deferred until the 2023/2024 Plan. This had happened largely because they needed to be delayed due to work currently ongoing within the services. There was sufficient assurance across all the key risk areas and across the directorates in order that it was possible to provide the Annual Opinion.

Ms Cox added that many of the audits which had been undertaken from September to December were at draft stage or near to finalisation and the bulk of the work had been completed. There had also been a commitment to reduce the residual management actions which had been open for some time. There was now an 80% implementation rate and 10% of the actions were not yet due. This high rate was a reflection of the work of the team and support from the Senior Leadership Team.

In response to questions, Ms Cox made the following points:

- A risk relating to security alerts had been identified in the report as they were only received by one member of the IT team and, in their absence, this could lead to alerts not being received and acted upon on a timely basis. The Committee were informed that IT had agreed to implement the required action in response to the risk being identified. The overall opinion of the IT Virtual Infrastructure audit had been rated 'green'. There were therefore not significant concerns as it was a well managed area.
- Work had been undertaken to provide some assurance that there had been improvement from a position that there had previously been contract spend without the formalised contracts in place. Some improvement had been found, including that where contracts in the sample had been found not to be in place,

this had already been identified by the service area with work underway with the Hub to formalise contract arrangements. The procurement hub and the team were working with services to identify residual arrangements where contracts are needed. The issues were generally related to lower level contracts rather than the major ones. Improvement was required in relation to the contract management system. The policies, procedures and guidance were found to be acceptable. There was training in place and this was being targeted for the appropriate level of contract managers.

- It was expected that there would be some resource to cover the Senior Auditor vacancy and that it would be sufficient to provide the Annual Opinion. Some of the work going forward could be covered by casual staff or via an agency but this recruitment was cost dependent.

RESOLVED: That the Committee **NOTED** the progress with the 2022/23 Internal Audit Plan and the outcome of the completed audits.

10/23 AUDIT WORKING GROUP UPDATE

(Agenda No. 10)

Ms Cox addressed the Committee on the outcomes of the Audit Working Group meeting held on 14 December 2022. The three items on the agenda had been Housing Infrastructure 1 (HIF1), Oxford North and Payments to Home Care Providers. She advised that for all of the three items the Working Group had requested that they were considered further at future meetings. It was intended that Oxford North would be scheduled for the next meeting in February, Adult Social Care colleagues would be present to respond to the Working Group's questions on the Payments to Home Care Providers item in April and the progress of HIF1 would be reviewed in September.

Dr Geoff Jones, Chair of the Audit Working Group, stated that he had been reassured on a couple of specific aspects relating to HIF1. The first was that Local Partnerships, jointly owned by the Local Government Association, HM Treasury and the Welsh Government, had previously undertaken an independent assurance review of the HIF1 programme and were now returning in the summer to carry out a follow up review. The Working Group had requested to be provided with the results of the follow up review. The second aspect was that the Working Group had been advised by officers that when tenders for the design work packages had been evaluated, if there were difficulties in delivering the overall HIF 1 programme below the £296m budget, the team could look across the four schemes at tweaks and changes it could make. If this was not sufficiently cost effective there could potentially be a decision by Cabinet that one of the four schemes would not come forward. Dr Jones referred to this reducing and managing the risks which had been a concern of Members.

RESOLVED: That the Committee **NOTED** the report.

11/23 RISK MANAGEMENT UPDATE

(Agenda No. 11)

Louise Tustian, Head of Insight and Corporate Programmes, presented the report. It was an overview of the progress made since the previous risk management paper provided to the Committee in September 2022. She drew Members' attention to the strong link between the Strategic Risk Register and the 2022 – 2025 Strategic Plan, with the latter's set of nine priorities. The report also referred to the training sessions undertaken in the last year which would continue over the next twelve months. Staff had moved on following the decoupling with Cherwell District Council but it had now been possible to build up the teams who were managing the risk as part of the wider corporate performance reporting. The team members were being trained and then additional training would take place in the directorates.

Ms Tustian advised Members that it was intended to provide a training session for the Committee in March and also an update on the Risk Management and Opportunities Strategy, linking with the new strategic plan and budget for next year.

Ms Tustian stated that the report also highlighted successes including the Senior Leadership Team workshop, reviewing and reducing the strategic risks. Work had also been taking place with the services to understand the escalation process from operational to strategic risks. People would know the requirement to contact the team and bring to the Senior Leadership Team if there was a proposal for a new strategic risk. The Strategic Risk Register featured as part of a high level overview within the Business Management and Monitoring Report which came to Cabinet on a bi-monthly basis. This contained 17 Strategic Risks currently.

Members were advised that Ms Tustian and Ian Dyson, Assistant Director of Finance had completed their risk practitioner training and as a result had a number of actions that they would be taking forward for the end of this financial year and the beginning of next. One of these would include a health check of the position across the organisation and linking with Internal Audit.

RESOLVED: That the Committee **NOTED** the update.

12/23 ERNST & YOUNG UPDATE

(Agenda No. 12)

A verbal update was provided to the Committee on the 2020/21 audit by Adrian Balmer of Ernst & Young, the external auditors. He had previously advised the Committee that proposed legislation for infrastructure assets was the substantive issue delaying certification of the 2020/21 accounts. The legislation had subsequently been passed in December 2022. An updated CIPFA Local Authority Accounting Panel Bulletin had now been released and Ernst & Young had shared the initial findings and guidance from the Bulletin with the Council. They were working through the CIPFA information in order to conclude any remaining issues relating to the infrastructure assets, prior to being able to close out the 2020/21 audit and pension fund accounts.

RESOLVED: That the Committee **NOTED** the update.

13/23 OXFORDSHIRE PENSION FUND AUDIT PLANNING REPORT

(Agenda No. 13)

Mr Bulmer presented the report on behalf of the Pension Fund team. He took the Committee through some of the high level risks included within the Audit Plan, set out in the section entitled 'Overview of our 2021/22 audit strategy'. He advised that there was not a lot of change from the previous year in terms of the risk assessment, which was a positive situation. There were risks identified in relation to 'Misstatements due to fraud or error' and 'Risk of inappropriate posting of investment journals'. The rationale for the risks being identified and the proposed approaches to address the risks were set out in the report.

There was deemed to be a significant risk in the 'valuation of complex investments' and inherent risks relating to the 'Valuation of investments under Level 2 fair value hierarchy' and 'IAS 26 – Present value of retirement benefits'. The report set out the processes and procedures to address the risks. Mr Bulmer clarified that the IAS 26 risk had been driven by an update in the accounting standards and not by anything specifically within the Council itself.

Planning materiality had been set at £32.80m which represented 1% of the 2021/22 draft accounts net assets of the scheme. Mr Bulmer explained that there was flexibility for this to be higher but was seen as appropriate when comparing to other funds. The performance materiality, set at £24.60m was driven by the risk assessment based on the prior period. Mr Bulmer made the point that it had been good news that a 75% threshold had been used based on a low level of errors having been identified. The Audit Differences threshold was 5% of the Planning Materiality.

The timeline for the audit cycle in 2021/22 set out in the report was confirmed by Mr Bulmer. He commented that the audit had made significant progress and the draft audit results report would be on the agenda for the March meeting of the Committee. The external auditor would then be in a position to conclude the level of work on the Pension Fund and that would be subject to sign off as would be the case with the main audit.

He confirmed that climate and ESG related matters had become much more prominent in value for money assessments. It had impacts across public sector and private pension funds and internally was a big area of focus for Ernst & Young.

RESOLVED: That the report be **NOTED**.

14/23 COMMITTEE'S WORK PROGRAMME 2022/23

(Agenda No. 14)

Members reviewed the Audit & Governance Committee Work Programme. It was agreed that the following items would be added to, or amended in, the Work Programme:

- Counter Fraud Update (15 March 2023, 19 July 2023 and 29 November 2023)
- Annual Review of the Committee's Terms of Reference (15 March 2023)
- Local Code of Corporate Governance (15 March 2023)
- Chief Internal Auditor's Annual Report (10 May 2023)

- A broader Procurement Update than referred to in the entry for 10 May 2023
- Amendment to the entry for 10 May 2023 – Internal Audit Strategy & Annual Plan 2023/24
- Internal Audit Charter (19 July 2023)
- Governance Review Working Group (19 July 2023, 20 September 2023 and 29 November 2023)
- That the Work Programme sets out that the Audit Working Group Update is a standing item.

RESOLVED: The Audit and Governance Committee Work Programme be updated as set out above.

..... in the Chair

Date of signing

AUDIT & GOVERNANCE COMMITTEE 15th March 2023

Future Highway Maintenance Contract

Report by Corporate Director for Environment and Place

RECOMMENDATION

The Audit & Governance is RECOMMENDED to

- a) Note the governance in place and associated process being followed for the procurement of the future highway maintenance contract.

Executive Summary

1. The existing highways maintenance contract with M-Group Infrastructure (Milestone) is set to expire on 31st March 2025 with no options to extend remaining. Oxfordshire County Council therefore needs to undertake a procurement of a new contract prior to the expiry of the existing.
2. To manage the project an officer working group has been established for decisions, escalations, and oversight of the delivery; with Portfolio Holders and Corporate Director Steering Group established to provide steer and challenge the working group.
3. In October 2022 it was agreed that Cabinet would take formal decisions at three key stages within the project.
 - Presentation and approval of proposed approach (October '22)
 - Confirmation and approval of the preferred model to develop (March '23)
 - Approval to procure the preferred model (Sept '23)

Project background

4. Oxfordshire County Council are currently in contract with Milestone to provide highway maintenance services. The contract was for 10 years from 1st April 2010, with up to a further 10 years' worth of potential extension linked to performance. Due to extensions either awarded or revoked the contract is currently due to end on 31st March 2025 with no further opportunity for extension. The contract was originally held by Atkins, transferred to Skanska, and finally transferred to Milestone in 2021 as part of a divestment by Skanska.
5. The project is split into 4 key stages as detailed below. For a summary of overall project timelines please see annex 1.
 - Model optioneering (October '22 – March '23)
 - Contract and specification preparation (April '23 - September '23)
 - Contract procurement and award (October '23 – March '24)

- Contract mobilisation (April '24 – March '25).
6. Due to the scale and complexity of the project external specialist consultancy services will be required for elements of the project. It is estimated that consultations support will cost in the order of £400k (including specific specialist legal advice).
 7. Funding of £400k for the project was approved by Council in February 2023, as set out below:

Reference	Description (2022/23 Budget)	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
24EP3	Additional temporary resources and expertise to support the exploration and delivery of a new highways maintenance contract from the end of March 2025	150	100	-250	0

8. Depending on the levels of support required there is a risk a cost pressure may be recorded on existing budgets. To fund this pressure any additional cost will need to be absorbed by the services baseline budgets meaning a reduction in 'revenue' maintenance work on the ground taking place or recovered through any overachievement in income targets.
9. Due to cost pressures and uncertainty of future grants and budgets, the contract will not offer guaranteed levels of spend. As part of the procurement exercise previous years spends and volumes of works will be presented for indication but will not be committed to, either in the tender documentation or in the contract itself.

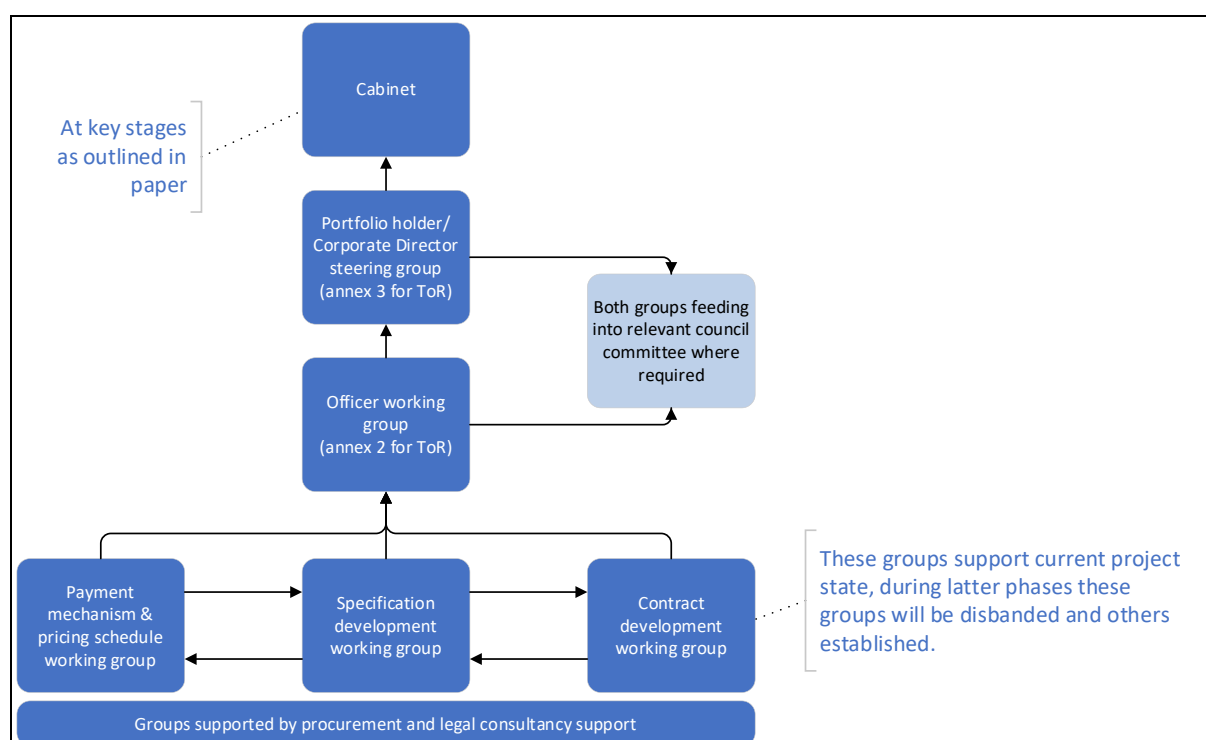
Governance Structure

10. The procurement of a new highway maintenance contract is significant as such a formal governance structure has been put in place. There is a Corporate Director / Portfolio Holders Steering Group, Senior Officer working group, and officer delivery groups for specific pieces of work. The relevant Terms of Reference is at Annex 2 and 3.
11. Three working groups are planned during the next stage of procurement documents' preparation to manage and develop the relevant specification, contract, payment mechanisms and pricing schedules. Whilst groups will be independent it will be important to ensure good cross communication and working due to the interconnected nature of each of these documents. To ensure this happens officers and consultants will each work across more than one working group but with each group having its own accountable 'head'.
12. Oversight of the delivery groups will be managed by the Senior Officer working group which consists of key officers from across a variety of functions including finance, legal, procurement, property, HR, ICT, pensions, communications and the highways services themselves. This group is chaired by Paul Fermer,

Director of Highways and Operations. This group is responsible for the quality and timely delivery of the project, risk and issue management and key decision making. The group meets monthly.

13. Above the officer working group is the Portfolio Holder and Corporate Director Steering Group. This group consists of key portfolio holders (Highways Management and Finance) and Bill Cotton, Corporate Director for Environment & Place. Supporting this group is Paul Fermer, chair of the working group and Sean Rooney, Head of Highway Maintenance). This group is responsible for providing strategic steer, management of key risks and issues and to ensure challenging but ambitious outcomes are achieved by the project.
14. Throughout the life span of the project, where required, updates, requests and reviews will be sought by council committees external to the project to ensure due process and procedure is being followed.

Governance structure for highway maintenance procurement project



Procurement Approach

15. The procurement exercises to appoint professional services to support the project and the new highway maintenance contractor/s will be completed in line with all relevant procurement policy and guidelines. Due to the scale and value of the contract/s being procured a member of the procurement team will be appointed to the project team and will own the procurement elements of the project.
16. In respect of the main procurement for highway maintenance contract a detailed procurement strategy has been developed (as at annex 4). A restricted procedure is considered to be the most appropriate, as well as being the timeliest and cost

effective. However, the potential use of alternative procedures, such as competitive dialogue with negotiation, will be continually checked considered and discussed with external advisors during the development of the legal and technical requirements to ensure the restricted procedure remains the most appropriate.

17. It should be noted that whilst legislative changes to the procurement regulations have been announced, specifics of the changes and their date of implementation are still to be confirmed, though this is expected to be spring 2024. To mitigate the risk of changes coming into effect prior to this procurement commencing the specific timings of the tender will need to be taken into consideration with regards the project programme and risks.
18. Social value is at the heart of all Oxfordshire County Council procurement exercises. For procurements associated with this project, significant weighting will be placed on ensuring contracts deliver the Council's social values.

High level timeline

19. The main activity steps are shown below:

Activity	Indicative Timeframe
Approval of approach by Cabinet	Oct 2022
Investigation and development of preferred model	Oct 2022 – Feb 2023
Approval of preferred model by Cabinet	March 2023
Development of specification/s to support model	April 2023
Approval to procure preferred model by Cabinet	Sept 2023
Launch of procurement	Sept 2023
Closure and bid evaluation	Jan 2024 – March 2024
Appointment of contractor/s	March 2024
Mobilisation of new contract	April 2024 – March 2025
Launch of new contract	April 2025

Financial Implications

20. The costs for delivering the project have been included in the 2023/24 Budget and Medium-Term Financial Strategy to 2025/26 approved by Council in February 2023. Any impact on the budget arising from the new contract will need to be considered once the procurement closure and bid evaluation is undertaken in January 2024.

Legal Implications

21. Any procurement exercise to appoint professional services to support the project, and to procure the new highway maintenance contractor, including any associated contracts, will be completed in line with all relevant legislation and

guidelines. Due to the scale and value of the contract/s being procured a member of the legal team has been appointed to the project team and will work alongside any externally appointed legal advisers.

22. Due to the complex and very specific nature of a long-term highway maintenance contract, specialist external lawyers are likely to be required to support the inhouse lawyer in the development of the contract and to work in conjunction with the appointed delivery consultants.
23. As the 'Highway Authority' for Oxfordshire, the procurement of a new highway maintenance contract/s is essential to ensure Oxfordshire County Council meets its obligations under section 41 of the Highways Act 1980 to maintain highways which are deemed 'maintainable at public expense'.

Risk Management

24. Failure to award a new contract/s holds significant risk for this project, failure to do so by 31st March 2025 will potentially leave Oxfordshire County Council without a highway maintenance contractor to fulfil our maintenance obligations. To minimise this risk the project has been established well in advance of this date to enable a robust assessment and procurement process to take place.
25. It is a high value contract and therefore the risk of challenge from unsuccessful bidders, particularly if the incumbent tenderer is not successful, is potentially likely. The ability to successfully defend any challenge is to ensure a robust process is undertaken, with all suppliers treated fairly, equally, and transparently. In full awareness of this risk, OCC Procurement will be using standardised tools and templates, as described in the Procurement Handbook, to ensure a robust process is followed and each stage documented, so that in the event of a challenge full information is available to refute it.
26. A detailed risk and issue log has been developed and is being actively managed by the officer led working group. Key risks will be escalated to the steering group and added to the corporate register where required.

BILL COTTON
CORPORATE DIRECTOR FOR ENVIRONMENT AND PLACE

Annex:

- Annex 1 – Project summary (Plan on a page)
- Annex 2 – Working group terms of reference
- Annex 3 – Steering group terms of reference
- Annex 4 – Procurement Strategy

Background papers: None

Other Documents: None

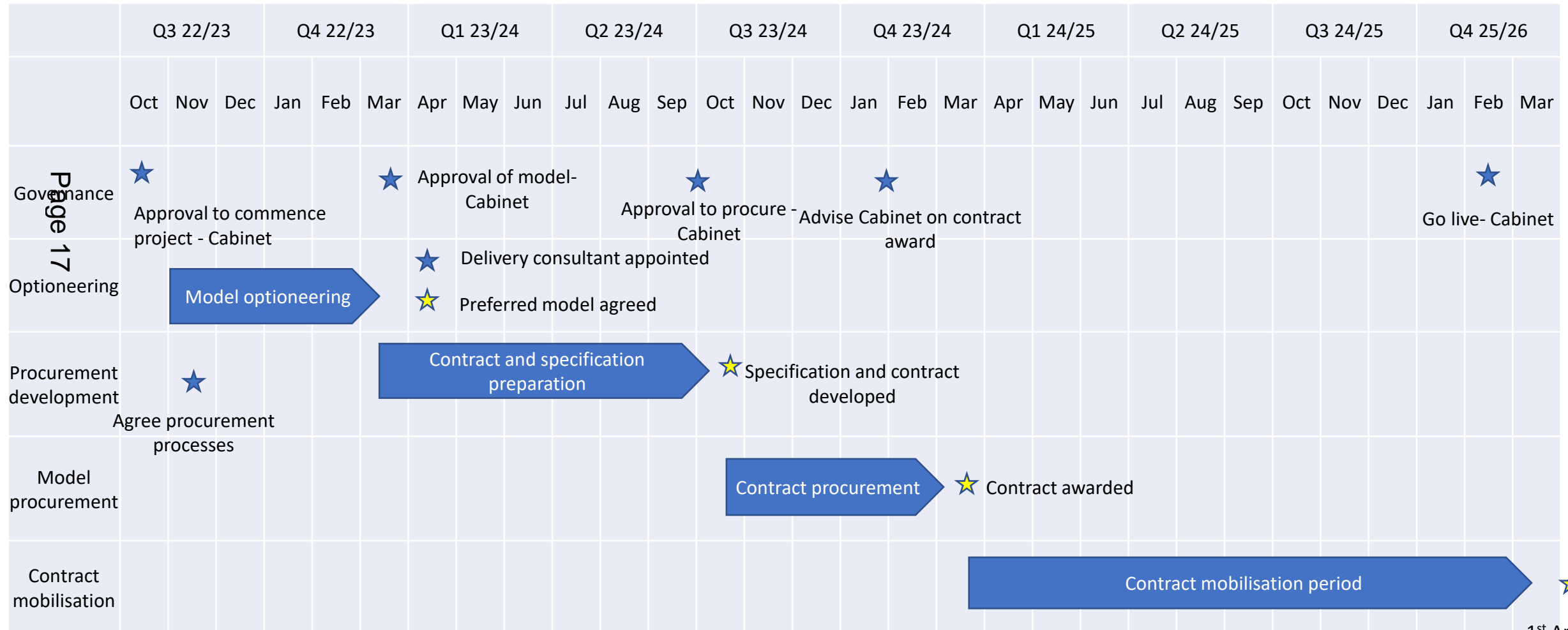
Contact Officer:

Paul Fermer (Director of Highways and Operations)

Melissa Sage (Head of Procurement & Contract Management)

March 2023

Plan on a page – Highways Maintenance Procurement



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Highways Maintenance Contract Delivery Working Group Terms of Reference

PURPOSE

1. The County Council, as the Local Highway Authority has a duty upon it to maintain the public highway network in a condition that is safe for users. The public highway network includes all adopted roads, footpaths and verges. The existing contract with Milestone Infrastructure is set to expire on 31st March 2025.
2. Oxfordshire County Council has previously adopted a 'single managing agent' approach to maintenance. Whilst this model was traditionally a preferred choice for many authorities, given the changing nature of the industry and new county council priorities, it is recognised that alternative approaches to highway maintenance delivery should be explored to assess if it continues to be the right approach for Oxfordshire is selected and implemented.
3. The Highways Contract Maintenance Delivery Working Group is to support the delivery of a new highways maintenance contract for April 2025. The project is primarily owned by the Highway Maintenance function but requires considerable input and ownership from other areas of the directorate, as represented by this group.

MEMBERSHIP

4. The working group will be chaired by Paul Fermer, Director of Highways and Operations and administered by the Project Manager, Phil Whitfield, and will include in its membership:
 - Paul Fermer, Director of Highways and Operations
 - Sean Rooney, Head of Highway Maintenance
 - Sarah Hayes, Solicitor
 - Rob Finlayson, Finance Business Partner
 - Melissa Sage, Head of Procurement Contract Management
 - Jen Rich, Internal Comms Manager
 - Henry White, Senior Property Officer
 - Caroline Bing, HR Business Partner
 - Tony Jackson-Dodd, ICT Business Partner
 - Sean Collins, Service Manager - Pensions
 - External consultant – once appointed.
 - Phil Whitfield – Project Manager

WORKING GROUP FUNCTION

5. The functions of the working group will include the following:
 - a) Work jointly with the Project Manager and other members of the Working Group within and across work streams to define and take ownership of tasks, activities and the processes and resources for their accomplishment.
 - b) Lead and own respective areas of work ensuring delivery to plan.
 - c) Identify and bring to the attention of the Project Manager any additional tasks that may be necessary in order to achieve a specific outcome
 - d) Bring to the attention of the Project Manager any problems and issues that may adversely affect the timely accomplishment of allocated tasks.
 - e) Keep the Project Manager and co-assignees within the Working Group informed of progress towards accomplishment of assigned tasks
 - f) Contribute to the project's Communications Plan
 - g) Serve as the conduit through which information about the project is communicated to colleagues

GOVERNANCE & MEETINGS

6. The project has been sponsored by the Corporate Director for Environment and Place, Bill Cotton and has appointed Paul Fermer as SRO.
7. The working group will meet monthly with an agenda that will include monitoring progress against achievements of program objectives and provide steer, direction and governance. They will review and sign off highlight reports developed by the project manager.
8. The agenda will be produced and issued to working group members at least two working days before each meeting.
9. Working group members will be invited to contribute items to the agenda, though the primary contents will feed from the working group meetings.
10. Minutes of each meeting, including action points and owners, will be circulated to all participants no later than one week after the meeting.
11. The Project Manager will be responsible for producing and circulating the agenda and minutes.
12. In addition to the working group an Officer/ Member steering group has also been established to provide strategic oversight to the actions of the working group and provide steer to influence the direction of travel of the working group. The working group is represented at the steering group by Paul Fermer supported by Phil Whitfield.
13. The working group will provide the steering group with key updates on progress and escalate key risks, issues and mitigations.

REPORTING

14. The working group are responsible for providing resolution to issues escalated by the working groups and project manager. Issues which require guidance outside of the remit of the working group will be referred up to DLT.

APPROVALS

Version	Approver	Date
0.1	PW	30/11/22

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Highways Maintenance Contract Delivery Steering Group Terms of Reference

PURPOSE

1. The County Council, as the Local Highway Authority has a duty upon it to maintain the public highway network in a condition that is safe for users. The public highway network includes all adopted roads, footpaths and verges. The existing contract with Milestone Infrastructure is set to expire on 31st March 2025.
2. Oxfordshire County Council has previously adopted a 'single managing agent' approach to maintenance. Whilst this model was traditionally a preferred choice for many authorities, given the changing nature of the industry and new county council priorities, it is recognised that alternative approaches to highway maintenance delivery should be explored to assess if it continues to be the right approach for Oxfordshire is selected and implemented.
3. The Highways Contract Maintenance Delivery Working Group is to support the delivery of a new highways maintenance contract for April 2025. The project is primarily owned by the Highway Maintenance function but requires considerable input and ownership from other areas of the directorate, as represented by this group.

MEMBERSHIP

4. The steering group is a joint member and officer group and will be chaired by Paul Fermer, Director of Highways and Operations and administered by the Project Manager, Phil Whitfield, and will include in its membership:
 - Bill Cotton, Corporate Director for Environment and Place
 - Paul Fermer, Director of Highways and Operations
 - Sean Rooney, Head of Highway Maintenance
 - Cllr Andrew Gant, Cabinet Member for Highways Management
 - Cllr Calum Miller, Cabinet Member for Finance
 - Phil Whitfield – Project Manager

STEERING GROUP FUNCTION

5. The functions of the steering group will include the following:
 - a) Provide steer and guidance to project teams including strategy, risk and issue management, finance and change management.
 - b) Work as a team to provide collective and unified direction to work streams.

- c) To act as decision agents for key decisions required which cannot be made by the project working group.
- d) To identify and monitor project and business risks related to the outcome of the work.
- e) To challenge the working group to realise ambitious outcomes.
- f) Serve as the conduit through which information about the project is communicated to colleagues

GOVERNANCE & MEETINGS

- 6. The project has been sponsored by the Corporate Director for Environment and Place, Bill Cotton and has appointed Paul Fermer as SRO.
- 7. The steering group will meet monthly with an agenda that will include monitoring progress against achievements of program objectives and provide steer, direction and governance. They will review and sign off highlight reports developed by the project manager.
- 8. The agenda will be produced and issued to steering group members at least two working days before each meeting.
- 9. Steering group members will be invited to contribute items to the agenda, though the primary contents will feed from the working group meetings.
- 10. Minutes of each meeting, including action points and owners, will be circulated to all participants no later than one week after the meeting.
- 11. The Project Manager will be responsible for producing and circulating the agenda and minutes.

REPORTING

- 12. The steering group will report where required to SLT and Cabinet respectively.

APPROVALS

Version	Approver	Date
1	Phil Whitfield	06.12.22

OPTIONS APPRAISAL

Title for Business Need	Highways Contract Renewal – Main Tender	
Pipeline Reference	tbc	
Author	Melissa Sage	
Service Area	Highways, Environment & Place	
Version	V 1	
Date	5 December 2022	
Approvals Given	Approver	Date
Service Lead		
Category Manager	Basil Waloff	5 December 2022
Relevant Governance E.G. Project Board; DLT or other forum		

1. Description of Proposal

The Highways Maintenance tender expires in 2025. There is a need to re-procure these arrangements, however the Council is taking the opportunity to review its requirements, in particular how these are delivered by the market, to ensure that it has the most appropriate and cost effective model for this next contract.

Estimated values of the contract are £30m p.a. and currently the working assumption is that the contract will be issued for 10 years. This is an above threshold tender and must comply with PCR2015 regulations.

A pre tender analysis has been completed by DM Squared to review all potential delivery models available and to recommend the best fit for Oxfordshire County Council (OCC).

Due to the complexity of this tender, a tender for consultancy support to create the specification, run the tender and to support during the implementation process will be run. It is anticipated that this consultancy partner will be in place by 1 April 2023 to support the development of the specification, with the aim to issue the tender by 1 September 2023. Given the complexity of the tender itself, and potentially a move from the incumbent (depending on the outcome of the tender), the appointment of the successful supplier will be by 1 April 2024, allowing for a 12 month implementation process if needed.

Expert support from (external) Legal may also be needed in this process to mitigate risk and to ensure full compliance with PCR2015. They will also be able to add value through prior experience on these types of tender.

General Comment - For a contract and tender of this size, there are realistically only a few suppliers who will be able to deliver the requirements. They will have their own views as to whether they see OCC as a desirable client, in terms of capacity to deliver the tender, capacity to deliver the contract, fit with other contracts, OCC's fit as a client plus any future / current tenders / contracts which may tie up resource. Some suppliers may choose not to bid as a result, leaving a reduced pool of viable candidate suppliers.

2. Options Analysis

There are several options which are available for the procurement of this Consultant.

2.1 Option 1 – Open Tender

A tender is run, open to the whole market; any consultancy who is able to meet the terms of the specification would be able to submit a response.

Strengths	Weaknesses	Opportunities	Threats
Considers whole of market	<p>Multiple responses</p> <p>No pre qualification of suppliers</p> <p>Can take time to create tender, analyse tender responses and select winning bidder</p>	Whole market responses may create innovative approaches	<p>There are very few suppliers who are able to deliver a contract of this size. Using an Open tender may mean that attention is distracted on those who are not capable, time is lost and outcomes are not as good for OCC</p> <p>Highest risk of procurement challenge</p>

2.2 Option 2 – Use of Framework (Mini Competition or Direct Award)

Frameworks are pre-selected group of suppliers who have already met minimum standards for particular categories. Local Authorities are able to use such Frameworks if they are named on them (specifically or generally) and the process becomes much shorter and involves less gathering of standard information from the suppliers. Depending on the Framework, there are options to either run a mini competition involving all suppliers, or else to direct award to one specific supplier.

Strengths	Weaknesses	Opportunities	Threats
<p>Smaller preselected group of suppliers</p> <p>Shorter tender process</p> <p>Minimises risks through procurement approach</p> <p>Pre agreed rates or some other financial comparison</p> <p>Minimal risk of procurement challenge</p>	<p>Only able to go out to smaller preselected group of suppliers</p> <p>There may not be a framework out there which uses all of the relevant suppliers who would be interested in, capable of and with capacity to do this contract</p>	<p>Quicker time to implementation</p> <p>Potential for direct award, if framework permits</p> <p>Negotiation on pricing for whole project still possible</p>	<p>Suppliers may not be interested in the work and not respond to tender</p>

2.3 Option 3 – Restricted Tender

A Restricted process is a 2 stage process, whereby a whole market group of suppliers is reduced down by use of a Selection Questionnaire (SQ). This SQ is based around industry standard questions, allowing for more technical questions to be asked later on in the process. The purchasing organisation must specify how many suppliers are to be taken forward to this second stage, prior to receiving responses (this can be a minimum score or else ‘a maximum of....’)

Strengths	Weaknesses	Opportunities	Threats
<p>Original call to market considers full market options</p> <p>SQ stage allows to whittle this down to only those who could genuinely do the contract</p> <p>Procurement challenge risk mitigated through two step tendering process</p>	<p>Two stage process, therefore takes longer than a single stage tender</p>	<p>Whole market approach at first stage may introduce suppliers who were not previously known to the tendering organisation</p>	<p>SQ questions need to be considered carefully to ensure that they are an effective means of reducing the tendering field</p>

2.4 Option 4 – Competitive Dialogue

A Competitive Dialogue (CD) process is one which is used when the purchaser is not quite sure of the outcome which they want to achieve. In a CD process the purchaser is able to revise the specification several times, based on the tendered responses to date, and the suppliers are also allowed to revise their tender responses, based on these changes. It is a highly technical process, needing expert support, and can take considerable time.

Strengths	Weaknesses	Opportunities	Threats
<p>Good for when the final outcome is not known – where purchaser needs to work with the market to identify the best end solution</p> <p>Procurement challenge risk mitigated through ongoing engagement with process throughout tender</p>	<p>Time taken</p> <p>Specialist support expensive</p> <p>Not good where there is a wide pool of candidate suppliers as involves considerable investment from suppliers when creating their bids</p>	<p>Good when needing to create innovative response or where final parameters of contract are unclear</p>	<p>Not suitable for all tenders due to the complexity of the process and the support required</p>

2.5 Critical Success Factors Table

Critical success criteria	Open Tender	Framework	Restricted	Competitive Dialogue
<i>Time to run tender process</i>	2	1	3	5
<i>Cost of tender</i>	2	1	2	5
<i>Pre selection of suppliers (1 = able to pre select)</i>	5	3	1	1
<i>Quality of Responses</i>	4	3	2	1
<i>Total</i>	13	8	8	12

3. Preferred Option

For the main tender, a Restricted process would be the best option.

There is no need to carry out a CD process as the end result is known and there is not uncertainty which needs to be bottomed out during the tendering process. A CD process is expensive for both supplier and OCC and is not normally the best option where there is no need to mitigate uncertainty.

Running an Open process may result in multiple unqualified responses which would still have to be evaluated, taking time and resource away from realistic potential responses. All would need to be treated equally, but the time and resource investment required in the tendering process would be considerable.

Whilst a Framework approach might be appropriate, there may be constraints issued by the owner of the framework selected which would limit OCC's options and decision making. Depending on which framework was selected might also limit the number of potential bids, as it must be remembered that not all suppliers will choose to bid for this contract; it depends on their capacity, other contracts and attractiveness of OCC as a client, amongst other things, and this would need to mesh with those suppliers on the selected framework.

In comparison a 2 stage Restricted process would enable the whole market to engage and to register their interest, whilst only allowing those with a realistic chance of delivering the end contract to proceed to the next stage. In this way all

realistic suppliers are offered the opportunity to bid, as opposed to potentially only those who are on the framework selected by OCC.

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AUDIT & GOVERNANCE COMMITTEE 15 MARCH 2023

ANNUAL REPORT OF AUDIT AND GOVERNANCE COMMITTEE

Report by Director of Finance

RECOMMENDATION

1. **The Audit & Governance Committee is RECOMMENDED to**

To review the draft report, agree any amendments and finalise in preparation for presentation to Council by the Chair of the Audit & Governance Committee.

Executive Summary

2. In accordance with CIPFA (The Chartered Institute of Public Finance & Accountancy) Audit Committee Guidelines for Local Authorities 2022, it is recommended practice for an annual public report to be produced and reported to Council demonstrating how the Committee has discharged its responsibilities.

Annual Report of Audit & Governance Committee

3. A draft report of the activities of the committee for the financial year 2022/23 has been prepared and is included within Annex 1. It has previously been circulated for review and comment to Audit Working Group members. It is proposed that any suggested amendments/additional comments are discussed and agreed at the Committee meeting.
4. The final report will then be produced for the Chair of the Committee, to schedule and present to Council.
5. Compliance with CIPFA's guidance for Local Authority Audit Committees 2022, demonstrates the committee's commitment to high standards and the production of the annual report demonstrates the role the committee exercises in being a key component of good governance for Oxfordshire County Council.

Financial Implications

6. There are no financial implications arising from this report.

Comments checked by: Lorna Baxter, Director of Finance,
lorna.baxter@oxfordshire.gov.uk

Legal Implications

7. There are no direct legal implications arising from this report.
Comments checked by:

Paul Grant, Head of Legal, paul.grant@oxfordshire.gov.uk

Staff Implications

8. There are no staffing implications arising from this report.

Equality & Inclusion Implications

9. There are no equality and inclusion implications arising from this report.

Sustainability Implications

10. There are no sustainability implications arising from this report.

Risk Management

11. There are no risk management implications arising from this report.

Lorna Baxter, Director of Finance

Annex: Draft Annual Report of the Audit and Governance Committee.

Background papers: None.

Contact Officer: Sarah Cox, Chief Internal Auditor,
sarah.cox@oxfordshire.gov.uk

March 2023.

Audit & Governance Committee Annual Report

Report of the work of the Audit & Governance Committee during 2022-23

Contents

Section	Page
Chair's Introduction	3
Role of the Audit and Governance Committee	4
Key Activities	5

Appendix

1. Audit and Governance Committee Functions (extract from the Council's Constitution)
2. Audit Working Group Terms of Reference

Chair's Introduction

As Chair of the Audit and Governance Committee, I am very pleased to present this annual report which sets out the role of the Audit & Governance Committee and summarises the work we have undertaken both as a committee, and through the support of the Audit Working Group during the financial year 2022/23.

The Committee operates in accordance with the good practice guidance produced by the Chartered Institute of Public Finance Accountancy (CIPFA), revised 2022. The Committee is operating effectively in accordance with the standards, providing an independent and high-level resource which supports good governance and strong public financial management.

The Committee continues to be well supported by Officers, providing a high standard of reports and presentations. I would like to thank the Internal Audit, External Audit, Law and Governance and Finance teams for their input.

I should like to take this opportunity to give my personal thanks to all the officers, Dr Geoff Jones, Chair of the Audit Working Group, the Deputy Chair Councillor Brad Baines and all fellow Committee members who have contributed and supported the work of the Committee in such a meaningful and positive way throughout the past year.

COUNCILLOR ROZ SMITH

Chair, Audit & Governance Committee

Role of the Audit & Governance Committee

The Audit and Governance Committee operates in accordance with the 'Audit Committees, Practical Guidance for Local Authorities' produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) 2022. The Committee complies with the CIPFA's position statement. The Guidance defines the purpose of an Audit Committee as follows:

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

The key functions of the Audit and Governance Committee are defined within the Council's Constitution. In discharging these functions, the Committee is supported by the Audit Working Group.

How the Committee has discharged its responsibilities during 2022/23

Key A&G Committee Activities	May 22	July 22	Sept 22	Nov 22	Jan 23	March 23
Financial Reporting						
Accounting policies – 2021/22 statement of accounts						
Statement of accounts 2021/22						
Statement of accounts training						
Review of Treasury Management Outturn 2021/22						
Treasury Management 2022-23 mid-term review						
Treasury Management Annual Investment Strategy 2023/24						
Treasury Management Update						
Financial Regulations – changes to capital section						
Financial Management Code Compliance Assessment 2022/23						
Update on Capital Governance						
Internal Audit						
Annual Report of the Chief Internal Auditor 2021/22						
Internal Audit Strategy and Plan 2022/23						
Reports from Audit Working Group						
Review of Internal Audit Reports and monitor of in-year progress						
Review of Internal Audit Charter and Quality Assurance Programme						
External Audit						
External audit updates						
Pension Fund Audit						
Governance & Risk Management						
Approval of Annual Governance Statement (AGS) for 2021/22						
Review of AGS action plan						
Risk Management update						
Oxfordshire Fire & Rescue Statement of Assurance						
Community Safety Services Annual Report 2021/22						
Surveillance Commissioner's Inspection and Regulation of Investigatory Powers Act						

Key A&G Committee Activities	May 22	July 22	Sept 22	Nov 22	Jan 23	March 23
Local Government Ombudsman annual report						
Monitoring Officer annual report						
Annual Report of A&G committee – draft						
Scale of election fees and expenditure						
Whistleblowing Policy & annual report						
Annual report of Health and Safety						
Constitution Review - updates						
Local Code of Corporate Governance						
Pension Fund – changes to constitution						
Council motion – re Education Scrutiny Committee						
Member Code of Conduct						
Appointment of Independent Persons						
Update on Highways Contract						
Counter-Fraud						
Approval of Counter-Fraud Strategy and plan for 2022/23						
Counter-Fraud Plan update						

The Committee is supported by the Audit Working Group (AWG):

Key Audit Working Group activities	June 22	Nov 22	Dec 22	Feb 22
Review of implementation of actions from 21/22 audit of GDPR				
Review of implementation of actions from 21/22 audit of Fleet Management				
Review of implementation of actions from 21/22 audit of Cleaning Asset Management				
Review of governance and risk management processes in relation to HIF (Housing Infrastructure Fund) programmes.				
Update on Oxford North review				
Review of arrangements for payments to providers under new Live Well at Home				
Review of implementation of actions from 21/22 audit of GDPR				

2022/23 Key Achievements:

- The Committee and the Audit Working Group (AWG) have continued to review and monitor material weaknesses identified from the internal audit reports with Senior Managers attending to provide assurance on how the issues were being addressed. This has supported the implementation of the actions plans to deliver the required improvements in key areas for the Council.
- A continued focus for the AWG has been monitoring the improvement actions agreed following the audit of GDPR (General Data Protection Regulation) 2021/22, due to the weaknesses identified. The Committee and AWG are now pleased to note the significant progress that has now been made to effectively address the weakness identified and implement the agreed improvement actions.
- The Committee is pleased to note through review of the Internal Audit reports and monitoring by the Committee and AWG, of the agreed management actions that significant weaknesses in the system of internal control are being prioritised and addressed.
- The Committee has provided effective scrutiny of the treasury management strategy and policies. Receiving regular reports of activity, reviewing the treasury risk profile and adequacy of treasury risk management processes has contributed to good performance in this area.
- The Committee and AWG continue to consider key topics / areas of risk, seeking assurance from lead officers in the relevant areas that robust processes are in place. Areas considered during 2022/23 have included the governance and risk management processes for the Housing Infrastructure Fund programme and the Council's revised Capital Governance processes.

Our work in 2022/23

The key activities of both the Committee and the Audit Working Group are captured in the tables above. In summary:

Financial Reporting

The Committee is responsible for the review and approval of the annual statement of accounts on behalf of the Council. The Committee has received regular updates on progress from the external auditors and officers.

The Committee receives and reviews the results of the Financial Management Code annual self-assessment.

The Committee receives reports from the Treasury Management Team, exercising its stewardship role. The Committee reviewed the Treasury Management Outturn Report 2021/22, the Treasury Management Mid-term Performance Report 2022/23 and the Treasury Management Strategy Statement and Annual Investment Strategy 2023/24.

Internal Audit

The Committee approved the Internal Audit Strategy for 2022/23, including the annual audit plan.

The Committee receives regular progress reports from the Chief Internal Auditor, including summaries of the outcomes from Internal Audit work. Through the Audit Working Group, the Committee monitors the progress with the implementation of management actions arising from audit reports.

In response to Internal Audit reports the Committee and the Audit Working Group, has looked in detail at the following areas: Cleaning Asset Management (overall conclusion graded red) Fleet Management (overall conclusion graded amber) and GDPR (overall conclusion graded amber).

The Committee has continued to monitor the resourcing of Internal Audit. The Committee recognise the challenges in recruitment in this area and continue to be updated regarding the recruitment and retention strategies being adopted, which includes the recruitment of apprentice auditors within the team.

The completion of the Internal Audit Plan and the annual statement of the Chief Internal Auditor is produced for the Committee at the end of the financial year. Based on the evidence of the reports presented to the Audit Working Group and the Committee, the team continues to provide an effective challenge and therefore assurance on the key risk activities.

The Committee also met with the Chief Internal Auditor in a private session during November 2022 and are satisfied Internal Audit are free to carry out their duties without restrictions.

The Committee approve the Internal Audit Charter on an annual basis, this was approved at the July 2022 meeting.

External Audit

The Council's external auditors, Ernst and Young, attended committee meetings during 2021/22, providing regular updates on their work plan and any matters arising.

The Committee met with the external auditors in a private session in November 2022. The Committee is satisfied that they are free to carry out their duties without restrictions. We are also assured that if identified they would bring any material issues to the attention of the Committee.

Governance & Risk Management

The Committee approved the Annual Governance Statement (AGS) for 2021/22. This included improvement actions for 2022/23, within the following areas: Directorate Schemes of Delegation, Constitution Review, Data Subject Access Requests, Member Code of Conduct Training, Information Governance Group/Board, and Risk Management Training.

The Committee and AWG receives and considers updates from officers on key topics/areas of risk such as seeking assurance that robust risk management, governance and internal control processes are in place. The Committee, receive regular risk management updates.

The Committee also considered the annual report of the Monitoring Officer; the annual report of the Local Government Ombudsman; the use of the Regulation of Investigatory Powers Act 2000 (RIPA); review of scale of election fees; the annual report of Health & Safety; and the Fire and Rescue Service Annual Statement of Assurance. There were no material issues or concerns arising.

The Committee approved the scope for a review of the Constitution and agreed to the appointment of an informal cross-party Working Group and its terms of reference. The Committee receive regular updates on progress made with the review.

Counter-Fraud

The Audit & Governance Committee receive annually the Counter Fraud Strategy and work plan. The Committee are regularly updated on progress on delivery of the work plan for counter fraud.

The Committee and Audit Working Group receive regular updates from the Chief Internal Auditor on any reported matters of suspected fraud, including investigations. Outcomes of investigations are reported to and monitored by the Audit & Governance Committee. The Committee plays a key role in monitoring the effectiveness of the Council's counter fraud arrangements.

The Committee received a report on Whistleblowing from the Monitoring Officer, that highlighted there have been very few cases.

Audit & Governance Committee self-assessment 2023

At the end of 2022, CIPFA (The Chartered Institute of Public Finance & Accountancy), issued updated guidelines and position statement to local authority audit committees. As part of those guidelines it is recommended that the committee undertake a regular self-assessment exercise against the recommended standards set out in the CIPFA 2022 guidelines. The Audit & Governance Committee met in February 2023 and completed the self-assessment of good practice, which included review of core knowledge and skills.

The self-assessment exercise concluded that the committee has a high degree of performance against good practice principles, that it is soundly based and has in place knowledge membership. The committee complies with the CIPFA position statement 2022 and has fulfilled its terms of reference and the key issues escalated during the year.

Where matters for improvement were identified, these have been captured within an action plan. The Chair of the Audit & Governance Committee is overseeing the completion of the planned actions.

One of the key recommendations of the CIPFA 2022 guidance is that all audit committees within local authorities have two independent members. The Audit and Governance Committee had already identified this as a required action. Recruitment is currently underway. The Committee already has one Independent member who has a well-developed knowledge of how the Council operates.

Division(s): N/A

AUDIT & GOVERNANCE COMMITTEE – 15 MARCH 2023

TREASURY MANAGEMENT QUARTER 3 PERFORMANCE REPORT 2022/23

Report by Director of Finance

RECOMMENDATION

1. **The Audit & Governance Committee is RECOMMENDED to note the report, and to RECOMMEND Council to note the Council's treasury management activity in the third quarter of 2022/23.**

Executive Summary

2. This report covers the treasury management activity for the third quarter of 2022/23 in compliance with the CIPFA Code of Practice on Treasury Management 2021. It provides an update on the anticipated position and prudential indicators set out in the Treasury Management Strategy Statement & Annual Investment Strategy for 2022/23 agreed as part of the Council's budget and Medium Term Financial Strategy in February 2022.
3. During the third quarter of the year, £5m of external debt was repaid, taking the council's external debt balance to at £308.38m 31 December 2022.
4. The average daily balance of temporary surplus cash invested in-house in the nine months to 31 December was £447.24m, compared to the £342.00m budget and reflects reprofiling in anticipated capital expenditure and higher balances of capital grants compared to the original forecast. Over that period the average in-house return was 1.25%. That was above the budgeted rate of 0.35% set in the strategy in February 2022, prior to the significant worldwide economic pressures as a result of the war in Ukraine. This has produced gross interest receivable of £4.07m for the nine months to 31 December 2022 compared to the budget of £1.16m.
5. During the first half of the year the Council maintained its holding in external funds. Gross distributions from the council's investments in pooled funds totalled £2.91m in the first three quarters of the year, exceeding the budgeted figure of £2.52m. Forecast returns for the year are £3.81m, in line with the budget of £3.81m.

Introduction

6. The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Treasury Management 2021 recommends that members are informed of Treasury Management activities at least four times per year. This report, and the quarterly updates, ensures the council's reporting is consistent with best practice in accordance with CIPFA's recommendations.
7. The following annexes are attached:

Annex 1	Debt Financing 2022/23
Annex 2	Public Works Loans Board (PWLB) Debt Maturing
Annex 3	Prudential Indicator Monitoring
Annex 4	Specified & Non-Specified Investments 2022/23
Annex 5	External Backdrop Provided by Link Treasury Services

Treasury Management Strategy 2022/23

8. The Treasury Management Strategy & Annual Investment Strategy for 2022/23 outlines the Council's strategic objectives in terms of its debt and investment management for the financial year 2022/23.
9. The strategy sets out that the forecast average cash balance for 2022/23 is £442m. The average base rate forecast was 0.35%.
10. The council intends to maintain its investment in strategic pooled funds with a purchase value of £101m (23%), with the remaining £341m (77%) being managed internally with a mixture of short, medium and long-term deposits.
11. The strategy for borrowing provided an option to fund new or replacement borrowing. The limit for internal borrowing was combined with the long term lending limit, and will not exceed £300m.

Treasury Management Activity

Debt Financing

12. The Treasury Management Strategy for 2022/23 assumed the level of external borrowing would increase by £46m during the financial year. As a result of slippage in the capital programme noted in the Capital Monitoring Report to Cabinet in July and October 2022 and the forecast for cash balances over the medium term being higher than anticipated this external borrowing does not need to be arranged in 2022/23.
13. The Council's cumulative total external debt reduced from £313.38m from 1 April 2022 to £308.23m at 31 December 2022. No new debt financing has been arranged during the year. The total forecast external debt as at 31 March 2023 is £306.38m. The forecast debt financing position for 31 March 2023 is shown in Annex 1.
14. At 31 December 2022, the authority had 50 PWLB¹ loans totalling £258.38m, nine LOBO² loans totalling £45m and one long-term fixed Money Market loan totalling £5m³. The combined weighted average interest rate for external debt as at 31 December was 4.44%.

¹ PWLB (Public Works Loans Board) is a Government agency operating within the United Kingdom Debt Management Office and is responsible for lending money to Local Authorities.

² LOBO (Lender's Option/Borrower's Option) Loans are long-term loans which include a re-pricing option for the bank at predetermined intervals.

³ In June 2016, the Council's LOBO with Barclays PLC was converted to a fixed rate loan at its current interest rate of 3.95% to mature on the 29th May 2065 with Barclays waiving their right to change the interest rate on the loan in the future.

Maturing Debt

15. During the third quarter of the year, £5m of PWLB debt matured. The Council is forecast to repay a further £2m of PWLB debt by 31 March 2023. The details are set out in Annex 2.

Debt Restructuring

16. The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt restructuring activity. No PWLB debt restructuring activity was undertaken during the first half of the year. However, given the forecast for bond rates, debt restructuring opportunities are being actively sought with our advisors, Link Treasury Services.

LOBOs

17. At the beginning of the financial year the Council held £45m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £15m of these LOBOs had options during 2022/23. To the 31 December 2022 none had been exercised by the lender.
18. Increased gilt yields in the first six months of the year raised the likelihood of lenders exercising their option to increase the rates on LOBOs, however in the third quarter of the year these risks subsided as UK Government Gilt yields lowered. If gilt yield were to temporarily increase in the short term and given the level of cash balances and forecasts for gilt yields to lower over the medium term, the Treasury Management Strategy Team (TMST) have agreed that the Council will repay any called LOBOs with internal borrowing over the medium term to avoid additional costs of servicing these instruments. The council is also exploring early repayment opportunities of LOBOs with Link Treasury Services.

Investment Strategy

19. The Council holds deposits and invested funds representing income received in advance of expenditure plus balances and reserves. The guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles. The Council continued to adopt a cautious approach to lending to financial institutions and continuously monitored credit quality information relating to counterparties.
20. During the first half of the financial year term fixed deposits have been placed with other Local Authorities as per the approved lending list, whilst Money Market Funds have been utilised for short-term liquidity. Inter Local Authority lending remains an attractive market to deposit funds with from a security perspective, whilst the Government's Debt Management Deposit Facility (DMADF) has also provided a competitive and secure counterparty. With rapidly increasing interest rates, the Council has taken a position of laddering investments, taking advantage of increased market rates and ensuring a continuous cycle of maturities to be invested at higher rates.

21. The Treasury Management Strategy Statement and Annual Investment Strategy for 2022/23 included the use of external fund managers and pooled funds to diversify the investment portfolio through the use of different investment instruments, investment in different markets, and exposure to a range of counterparties. It is expected that these funds should outperform the Council's in-house investment performance over a rolling three-year period. The strategy permitted up to 50% of the total portfolio to be invested with external fund managers and pooled funds (excluding Money Market Funds). The performance of the pooled funds will continue to be monitored by the TMST throughout the year against respective benchmarks and the in-house portfolio.
22. At the start of the year the UK Bank Rate was 0.75%, which was above the forecast of 0.25% in February 2022, prior to the significant worldwide economic pressures as a result of the war in Ukraine. Official rates rose to 1.25% by June 2022, again to 2.25% by September 2022 and to 3.50% by December 2022. With ongoing inflationary pressures impacting on the UK economy, the current forecast is for interest rates to increase to a high of 4.50% by March 2023. This is down from the forecast of 5.00% in the Mid Term Review. In the medium term, rates are forecast to reduce to 2.50% by 2025.
23. The long term lending limit for 2022/23 is £205m. During the first six months of the year the average available cash headroom within that limit was £10m.

The Council's Lending List

24. The Council's in-house cash balances were deposited with institutions that meet the Council's approved credit rating criteria. The approved Lending List is updated to reflect changes in counterparty credit quality with changes reported to Cabinet on a bi-monthly basis. There were no changes to the lending list in the first three quarter of 2022/23.
25. In the three quarter to 31 December 2022 there were no instances of breaches in policy in relation to the council's Lending List. Any breaches in policy will be reported to Cabinet as part of the monthly Business Management & Monitoring report.

Investment Performance

26. Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement and Annual Investment Strategy for 2022/23 and by maintaining a limited exposure to "bail in" banks and favouring deposits with other Local Authorities and the DMADF. As at 31 December 2022, the Council had £370.0m deposited with 43 other Local Authorities with an average deposit total of £8.60m per authority. The maximum deposit with any single local authority was £21m. This was below the limit of £30m. The Council also had £20m deposited with the DMADF as at 31 December 2022.
27. The average daily balance of temporary surplus cash invested in-house in the three quarters to December was £447.26m, compared to the budget of £342.00m. The Council achieved an average in-house return for that period of 1.25%, above the budgeted rate of 0.35% set in the strategy. This has produced gross interest receivable of £4.07m for the nine months to 31 December compared to budget of £1.16m.

28. Whilst the average return for the first 9 months of the year is 1.25%, the monthly return has increased from a low 0.59% in April 2022 to 2.49% in December 2022.
29. Temporary surplus cash includes; developer contributions; council reserves and balances; trust fund balances; and various other funds to which the Council pays interest at each financial year end, based on a margin below the Sterling Overnight Interest Average.

External Fund Managers and Pooled Funds

30. During the first quarter of 2022/23 the Council maintained its holding in external funds. The value of the funds was 94.94m as at 31 December 2022 compared to £95.90m at 30 September 2022, and £101.08m at 30 June 2022. The original purchase cost of the portfolio in March 2019 was £101.0m. Weighted by original purchase value, pooled fund investments produced an annualised income return of 4.16% for the period. These investments are held with a long-term view and performance is assessed accordingly.
31. Gross distributions from pooled funds have totalled £2.91m in the first half of the year, exceeding the budgeted figure of £2.52m.

Prudential Indicators for Treasury Management

32. The Authority confirms compliance with its Prudential Indicators for 2022/23, which were set as part of the Authority's Treasury Management Strategy Statement. The position as at 31 December 2022 for the Prudential Indicators is shown in Annex 3.

Training

33. The Treasury Management Team continue to keep up to date with the latest developments and attend external workshops and conferences to maintain their knowledge and awareness of current issues where relevant

Financial Implications

34. Interest payable and receivable in relation to Treasury Management activities are included within the overall Strategic Measures budget. In house interest receivable for 2022/23 is currently forecast to be £6.70m, which is £5.16m above the £1.54m budget. An estimated £3.44m of this will be applied to Developer Contributions. As at 31 December 2022, £4.07m of the £6.70m interest receivable has been realised.
35. Dividends payable from external funds in 2022/23 are forecast as £4.00m, which is £0.20m above budget.
36. Interest payable is currently forecast to be £13.81m, which is £0.58m below the budgeted figure of £14.39m, due to £46m of new external borrowing not required during the year.
37. The Business Management & Monitoring Report to Cabinet in March 2023 notes that the net impact of the additional interest, after taking account of increases to interest payable on developer contributions is forecast to be £1.7m in 2022/23.

Comments checked by:

Lorna Baxter, Section 151 Officer, lorna.baxter@oxfordshire.gov.uk

Legal Implications

38. There are no direct legal implications arising from this report save for the need for ongoing collaborative working between the S.151 Officer and the Monitoring Office. CIPFA guidance promotes the need for consultative working and collaboration between these respective roles to promote good organisational governance.

Comments checked by:

Paul Grant, Head of Legal and Deputy Monitoring Officer, paul.grant@oxfordshire.gov.uk

Sustainability Implications

39. This report is not expected to have any negative impact with regards to the Council's zero carbon emissions commitment by 2030.

Contact officer: Tim Chapple – Treasury Manager

OXFORDSHIRE COUNTY COUNCIL DEBT FINANCING 2022/23

<u>Debt Profile</u>		£m
1. PWLB	85%	263.38
2. Other Long Term Loans	15%	50.00
3. Sub-total External Debt		313.38
4. Internal Balances		0.00
5. Actual Debt at 31 March 2022	100%	313.38
6. Prudential Borrowing		42.62
7. Borrowing in Advance		0.00
8. Minimum Revenue Provision		-10.17
9. Forecast Debt at 31 March 2023		345.84

Maturing Debt

10. PWLB loans maturing during the year	-7.00
11. PWLB loans repaid prematurely in the course of debt restructuring	0.00
12. Total Maturing Debt	-7.00

New External Borrowing

13. PWLB Normal	0.00
14. PWLB loans raised in the course of debt restructuring	0.00
15. Money Market LOBO loans	0.00
16. Total New External Borrowing	0.00

Debt Profile Year End

17. PWLB	74%	256.38
18. Money Market loans (incl £45m LOBOs)	14%	50.00
19. Forecast Sub-total External Debt		306.38
20. Forecast Internal Balances	12%	39.46
21. Forecast Debt at 31 March 2023	100%	345.84

Line

- 1 – 5 This is a breakdown of the Council's debt at the beginning of the financial year (1 April 2020). The PWLB is a government agency operating within the Debt Management Office. LOBO (Lender's Option/ Borrower's Option) loans are long-term loans, with a maturity of up to 60 years, which includes a re-pricing option for the bank at predetermined time intervals. Internal balances include provisions, reserves, revenue balances, capital receipts unapplied, and excess of creditors over debtors.
- 6 'Prudential Borrowing' reflects Prudential Borrowing taken by the authority whereby the associated borrowing costs are met by savings in the revenue budget.
- 7 'Borrowing in Advance' is the amount the Council borrowed in advance to fund future capital finance costs.
- 8 The amount of debt to be repaid from revenue. The sum to be repaid annually is laid down in the Local Government and Housing Act 1989, which stipulates that the repayments must equate to at least 4% of the debt outstanding at 1 April each year.
- 9 The Council's forecast total debt by the end of the financial year, after taking into account new borrowing, debt repayment and movement in funding by internal balances.
- 10 The Council's normal maturing PWLB debt.
- 11 PWLB debt repaid early during the year.
- 12 Total debt repayable during the year.
- 13 The normal PWLB borrowing undertaken by the Council during 2022/23.
- 14 New PWLB loans to replace debt repaid early.
- 15 The Money Market borrowing undertaken by the Council during 2022/23
- 16 The total external borrowing undertaken.
- 18-22 The Council's forecast debt profile at the end of the year.

Long-Term Debt Maturing 2022/23**Public Works Loan Board: Loans maturing during 2022/23**

Date	Amount £m	Rate %
31/10/2022	4.000	5.050%
31/12/2022	1.000	6.250%
26/03/2023	0.316	6.625%
26/03/2023	1.684	6.625%
Total	7.000	

Prudential Indicators Monitoring at 31 December 2022

The Local Government Act 2003 requires the Authority to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. To demonstrate that the Authority has fulfilled the requirements of the Prudential Code the following indicators must be set and monitored each year.

Authorised and Operational Limit for External Debt

Actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt below. The Operational Boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. The council confirms that the Operational Boundary has not been breached during 2022/23.

The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements. The Authority confirms that the Authorised limit was not breached in the first half of 2022/23.

Authorised limit for External Debt	£495,000,000
Operational Limit for External Debt	£610,000,000
Capital Financing Requirement for year	£437,546,949

	Actual	Forecast
	31/12/2022	31/03/2023
Borrowing	£308,382,618	£306,382,618
Other Long-Term Liabilities	£ 17,000,000	£ 17,000,000
Total	£325,382,619	£323,382,618

Interest Rate Exposures

These indicators are set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest exposures. Fixed rate investments are borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Fixed Interest Rate Exposure

Fixed Interest Net Borrowing limit	£350,000,000
Actual at 31 December 2022	-£-131,117,382

Variable Interest Rate Exposure

Variable Interest Net Borrowing limit	£0
Actual at 31 December 2022	-£7,251,990.40

Principal Sums Invested over 365 days

Total sums invested for more than 364 days limit	£215,000,000
Actual sums invested for more than 364 days	£ 94,500,000

Maturity Structure of Borrowing

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing and the actual structure at 31 December 2022, are shown below. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

	Limit %	Actual %
Under 12 months	0 - 20	10.38
12 – 24 months	0 - 25	5.51
24 months – 5 years	0 - 35	15.24
5 years to 10 years	5 - 40	24.77
10 years +	40 - 95	43.40

Specified and Non Specified Investments 2022/23**Specified Investments**

Investment Instrument	Minimum Credit Criteria	Use
Debt Management Agency Deposit Facility	N/A	In-house and Fund Managers
Term Deposits – UK Government	N/A	In-house
Term Deposits – other Local Authorities	N/A	In-house
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 ⁴	Minimum equivalent credit rating of A+. These funds do not have short-term or support ratings.	In-house and Fund Managers
UK Government Gilts	N/A	In-house on a buy and hold basis and Fund Managers
Treasury Bills	N/A	In-house and Fund Managers
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

⁴ 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.

Non-Specified Investments

Investment Instrument	Minimum Credit Criteria	Use	Max % of total Investments	Max Maturity Period
Term Deposits – other Local Authorities (maturities in excess of 1 year)	N/A	In-house	50%	3 years
Term Deposits – Banks and Building Societies (maturities in excess of 1 year)	Short-term F1+, Long-term AA-	In-house and Fund Managers	50% in-house; 100% External Funds	3 years
Structured Products (e.g. Callable deposits, range accruals, snowballs, escalators etc.)	Short-term F1+, Long-term AA-	In-house and Fund Managers	50% in-house; 100% External Funds	3 years
UK Government Gilts with maturities in excess of 1 year	N/A	In-house and Fund Managers	50% in-house; 100% External Funds	5 years in-house, 10 years fund managers
Bonds issued by Multilateral Development Banks	AAA	In-house and Fund Managers	50% in-house; 100% External Fund	25 years
Bonds issued by a financial institution which is guaranteed by the UK Government	AA	In-house and Fund Managers	50% in-house; 100% External Fund	5 years in-house
Collective Investment Schemes ⁵ but which are not credit rated	N/A	In-house and Fund Managers	50% In-house; 100% External Funds	Pooled Funds do not have a defined maturity date

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

Sovereign Bond Issues	AAA	In-house on a buy and hold basis. Fund Managers	50% in-house; 100% External Funds	5 year in-house, 30 years fund 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	50% in-house; 100% External Funds	3 years
Covered Bonds	AAA	In-house and Fund Managers	50% in-house; 100% External Funds	20 years
Registered Providers	As agreed by TMST in consultation with the Leader and the Cabinet Member for Finance	In-house	50% In-house	5 years

The maximum limits for in-house investments apply at the time of arrangement.

External Backdrop Provided by Link Treasury Services

- The third quarter of 2022/23 saw:
 - A 0.5% m/m rise in GDP in October, mostly driven by the reversal of bank holiday effects;
 - Signs of economic activity losing momentum as households increased their savings;
 - CPI inflation fall to 10.7% in November after peaking at 11.1% in October;
 - A small loosening in the labour market which pushed the unemployment rate up to 3.7% in October;
 - Interest rates rise by 125bps over Q4 2022, taking Bank Rate to 3.50%;
 - Reduced volatility in UK financial markets but a waning in global risk appetite.
- GDP fell by 0.3% q/q in Q3 2022 (ending 30th September), which probably marked the start of the UK recession. About half of that decline was the effects of the extra bank holiday in September for the Queen's funeral. The unwinding of those bank holiday effects meant that GDP rebounded in October and explained at least 0.3 percentage points (ppts) of the 0.5% m/m rise. Accordingly, if GDP were to avoid falls of more than 0.2% m/m in November and December, then GDP over Q4 as a whole could avoid a contraction, which would prevent a recession in 2022.
- However, at 49.0 in December, the flash composite activity PMI stayed below the "boom-bust" level of 50 and pointed to a small 0.1% q/q contraction in GDP in Q4. Consumer confidence was -42 in December and stayed close to its record low of -49 in September. Strike action could be another small drag and may mean that GDP is 0.0% to 0.5% lower than otherwise in December. GDP is projected to contract marginally in Q4 by around 0.1% quarter on quarter (q/q).
- Meanwhile, the 0.4% month on month (m/m) fall in retail sales volumes in November only reversed some of the 0.9% m/m rise in October. That left sales volumes 4.5% below their level at the start of the year. Indeed, the rise in the household saving rate from 6.7% in Q2 to 9.0% in Q3 implied that higher interest rates are encouraging households to save more. And a larger-than-usual £6.2bn rise in cash in household bank accounts in October may imply households have started to increase their precautionary savings.
- There were signs that the labour market was loosening gradually going into the final quarter of 2022. Although employment in the three months to October rose by 27,000, the fall in the composite PMI employment balance in December took it into contractionary territory and suggests that labour demand will cool. Meanwhile, labour supply improved as inactivity fell by 76,000 in the three months to October. That helped drive a rise in the unemployment rate from 3.6% in September to 3.7% in October. The number of job vacancies in November fell for the sixth consecutive month and were 18% below their peak in May.
- Crucially, though, wage growth remained resilient. Average earnings growth, excluding bonuses, grew by 0.7% m/m in October, above the 2022 monthly average of 0.5% m/m. That drove the 3myy rate up to 6.2%, well above the rates of 3-3.5% consistent with inflation at its 2% target. Wage growth is likely to slow gradually in the coming months as

the labour market loosens further but if extensive strike action is successful in achieving large pay increases, then wage growth could be a bit stronger for longer.

- CPI inflation peaked in October at a 41-year high of 11.1% and fell to 10.7% in November. Goods price inflation, which is driven largely by global factors, has peaked. The sharp rises in energy prices in 2022 mean that energy price inflation will fall sharply in 2023. Meanwhile, the large fall in agricultural prices since May means that food price inflation should start to decline soon. What's more, upward pressure on goods price inflation from global supply shortages is fading quickly.
- Domestic inflation pressures also eased in Q4. The 0.2% m/m rise in core CPI inflation in November was the smallest monthly gain since August 2020 and drove a fall in core CPI inflation from 6.5% in October to 6.3% in November. Services CPI inflation was stable at 6.3% in November despite the resilience of wage growth. And the easing of price expectations in the Bank of England's Decision Maker Panel survey in November suggests that inflation may become less persistent.
- The Chancellor's Autumn Statement on 17th November succeeded in restoring the government's fiscal credibility in the eyes of the financial markets without deepening the recession. The total fiscal consolidation package of £54.9bn (1.8% of GDP) in 2027/28 made the outlook for fiscal policy much tighter than at the beginning of Q4. The package was heavily backloaded, with net handouts of £3.8bn (0.15% of GDP) in 2023/24 and £0.3bn (0.01% of GDP) in 2024/25, and most of the tightening kicking in after 2024/25. The largest fiscal support was the extension of the Energy Price Guarantee for another 12 months, until April 2024, although at a higher price cap of £3,000 from April 2023 rather than £2,500. At the same time, Chancellor Hunt loosened the fiscal rules by requiring debt as a percentage of GDP to be falling in five years' time, rather than three. The Office of Budget Responsibility (OBR) estimated that the Chancellor will meet this new rule with a slim £9.2bn (0.3% of GDP) to spare.
- With fiscal policy now doing much less to fan domestic inflation pressures, we think Bank Rate will peak at 4.50%, or at least close to that figure. Despite stepping up the pace of policy tightening to a 75-basis point (bps) rate hike in November, taking Bank Rate from 2.25% to 3.00%, the MPC's communication was dovish. The MPC pushed back heavily against market rate expectations, which at the time were for Bank Rate to peak at 5.25%. The Bank's new forecasts predicted a deeper and longer recession than the analyst consensus, of eight quarters and with a peak-to-trough fall in real GDP of 2.9%.
- The Bank sounded dovish again in December when it slowed the pace of tightening with a 50bps rate rise, from 3.00% to 3.50%. Two members, Dhingra and Tenreyro, voted to leave rates unchanged, judging that the current level of Bank Rate was sufficient to bring inflation back to target. That said, the rest of the MPC appeared to suggest that further rate hikes would be necessary. We expect that the majority of the MPC will need to see stronger signs that activity is slowing, the labour market is loosening, and wage growth is slowing before stopping rate rises. As such, we expect that the MPC will deliver three further rate hikes in February, March and May, taking Bank Rate to a peak of 4.50% but with the pace of increase reducing to 25bps in March and May.
- Gilt yields have fallen sharply since their highs following the "mini-budget" on 23rd September as government fiscal credibility has been largely restored with the resignation

of Truss-Kwarteng and the fiscal consolidation package announced at the Autumn Statement on 17th November. Indeed, the 10-year yield fell from a peak of 4.55% to about 3.60% now, while the 30-year yield fell from 5.10% to 3.90%. Admittedly, yields rose by around 50bps in December, partially on the back of a global rise in yields. But if we are right in thinking Bank Rate will fall back in 2024 and 2025 then gilt yields will probably fall over the next two years, with the 10-year yield slipping from around 3.60% now to 3.30% by the end of 2023 and to 2.80% by the end of 2024.

- Lower volatility in gilt markets in Q4 meant that the Bank of England was able to stop its purchases of long-term gilts for financial stability reasons as planned on 14th October. It was also able to begin active gilt sales in November, albeit with a focus on shorter dated gilts. So far quantitative tightening has had little influence on short-term money markets. But as it is still an experiment, the risk of a widespread tightening in financial conditions remains.
- The restoration of fiscal credibility boosted the pound and the FTSE 100 early in Q4. While much of the benefit passed in the first half of Q4, sterling continued to rally against a softer dollar. Our colleagues at Capital Economics do not think that the global recession is fully priced into markets, and so expect a further fall in risk appetite to boost safe haven demand for the dollar and weigh on the pound. They are expecting the pound to fall from \$1.19 now to \$1.10 in mid-2023, before climbing to \$1.15 by the end of 2023 as the prospect of lower interest rates and a recovery in global economic growth buoys equity prices.
- Through December, the rally in the FTSE 100 petered out as investors have become increasingly concerned by the prospect of a global recession. However, the relatively dovish tone of the Bank of England, compared to the Federal Reserve and the ECB meant that UK equities held up better than other developed market indices. Indeed, at 7,452 at the December month end, the FTSE 100 is only marginally below its peak of 7,568 on 5th December, while the S&P 500 is around 4% lower over the same period. Nevertheless, there is a great deal of uncertainty as to which direction markets will move in 2023 and at what pace. Continued volatility is anticipated.

MPC meetings 3rd November and 15th December 2022

- On 3rd November, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 75 basis points to 3.00%, and on 15th December moved rates up a further 50 basis points to 3.50%. The later increase reflected a split vote – six members voting for a 50bps increase, one for 75bps and two for none.
- Nonetheless, the UK government appears more settled now, with Rishi Sunak as Prime Minister, and Jeremy Hunt as Chancellor. Having said that, a multitude of strikes across several public services and the continued cost-of-living squeeze is going to make for a difficult backdrop to maintain fiscal rectitude without pushing the economy into anything worse than a mild recession.
- Of course, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has led with increases of 425 basis points in 2022 and is expected to increase

rates further in 2023. Similarly, the ECB has also started to tighten monetary policy, albeit from an ultra-low starting point, as have all the major central banks apart from Japan (although the BoJ has “tightened” its policy by widening the accepted yield levels for 10yr JGBs, from 0.25% to 0.5% on 20th December). Arguably, though, it is US monetary policies that are having the greatest impact on global bond markets.

- What happens in Ukraine will also impact the global economy, but particularly in Europe. The search for alternative providers of energy, other than Russia, will take both time and effort. The weather will also play a large part in how high energy prices stay and for how long.

Interest rate forecasts

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast, made on 19th December, sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the government is also providing a limited package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices. PWLB rates reflect a less elevated yield curve than prevailed under the Truss/Kwarteng government, and the 17th of November Autumn Statement made clear the government’s priority is the establishment and maintenance of fiscal rectitude. In addition, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control.

Our current and previous PWLB rate forecasts below are based on the Certainty Rate.

Link Group Interest Rate View 19.12.22													
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20
Link Group Interest Rate View 08.11.22													
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

Link Group Interest Rate View	27.09.22											
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

- LIBOR and LIBID rates ceased at the end of 2021. In a continuation of previous views, money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.
- The Link forecast for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

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AUDIT & GOVERNANCE COMMITTEE – 15 MARCH 2023

Scale of Election Expenses 2023/24

Report by Director of Law & Governance and Monitoring Officer

RECOMMENDATION

1. The Committee is **RECOMMENDED** to note the Scale of Election Expenses for the financial year 2023/24, as shown in the Annex to this report, for the election of County Councillors and any other poll associated with the County Council during the year.

Executive Summary

2. The County Returning Officer, Dr Martin Reeves, is responsible for the conduct of the County Council elections and by-elections. The expenditure properly incurred by the Returning Officer is paid by the Council and, as such, a scale of expenses is set as a guide to such expenditure. The scale of expenses set out in the Annex would be applicable to any by-elections held within the 2023/24 financial year.
3. In accordance with the Council's practice, a review has been undertaken in consultation with the County, City and District Council election specialists in Oxfordshire who assist the Returning Officer in running the County Council's elections and by-elections. The Districts will use this scale when acting on behalf of the Returning Officer and are generally mindful of the County Council's scale of expenses when setting their own scales of expenses.
4. The scale is brought to the Committee in the interests of transparency for this area of election governance.

Purpose of the Scale of Expenses

5. The purpose of the scale of expenses is to set out the amounts that can be charged for organising and running county council elections and by-elections. In practice, this means that these are the amounts that the City and District Councils will claim back from the County Council for running elections on its behalf.

Levels for 2023-24

6. The proposed figures for 2023/24 are shown in bold alongside the amount agreed for 2022/23.

The main changes

7. All fees have been reviewed to ensure that the hourly rates reflect the Oxford Living Wage, which has been set at £11.35 per hour from April 2023.

8. As in previous years, a cost of living award has been applied to the majority of fees. For 2023/24 an approximate 8% up-lift has been applied to the flat-rate fees, based on the increase in the Oxford Living Wage.
9. This level of up-lift for the hourly-rate fees have been increased in line with the NJC pay award hourly rates, as the national pay award was of fixed amount rather than a percentage base increase.
10. At the suggestion of the Districts and the City Council, a new fee had been introduced for “stand-by” staff. The arrival of COVID has highlighted the risk to the running of elections, should staff suddenly become ill and unable to work on a poll at very short notice. Returning Officers have needed to ensure that some staff are available to be called upon at very short notice to staff polling stations. The new fee reflects the willingness of staff to be prepared to go to a place of poll at very short notice to fill sudden vacancies. It is not envisaged that the fee will be paid in addition to a poll staff fee.
11. The provision for travelling expenses has been amended to read the HMRC rate, so as to ensure that this remains in line with HMRC advice moving forwards.
12. Otherwise, the annual increases are shown as **bold** figures alongside last year’s amounts. The City and District Councils have confirmed that the proposed scale of fees is pragmatic for the running of elections on the County Council’s behalf and is consistent with their recent experience. As such, the scale of expenses will be effective in supporting the Returning Officer in achieving a robust, resourced and cost-effective by-election should it be necessary.

Financial Implications

13. An annual budget is held for electoral expenditure, which is built up over time towards the County Council elections in an election earmarked reserve. The scale of expenses for 2023/24 set out in the annex can be met from the available reserve.

Comments checked by:

Lorna Baxter, Director of Finance lorna.baxter@oxfordshire.gov.uk

Legal Implications

14. Under the Representation of the People Act 1983 Section 36(4) the Council may set a scale of election expenses, and the Annexed scheme accords with this. This responsibility lies with the Returning Officer and this report is brought to the Committee for the purposes of Transparency.

Comments checked by:

Anita Bradley, Director of Law and Governance
anita.bradley@oxfordshire.gov.uk

Equality and Inclusion Implications

15. The setting of a scale of expenses does not in itself involve equality and inclusion implications. However, the levels of expenses included in the scheme have been formulated to ensure that robust arrangements are in place to secure participation by candidates, staff and the public.

ANITA BRADLEY

Director of Law and Governance & Monitoring Officer

Annex: Scale of Elections Fees 2023/24

Background papers: Nil

Contact Officers: Simon Harper, Head of Governance
Andrea Newman, Senior Democracy Officer

February 2023

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OXFORDSHIRE COUNTY COUNCIL

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

SCALE OF EXPENDITURE FOR ELECTIONS OF COUNTY COUNCILLORS

(Applicable to elections held during period 1 April 2023 to 31 March 2024)

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

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

PART I - UNCONTESTED ELECTION

A – FEES	April 2022 – March 2023	April 2023 – 2024 Proposed Fees
1. To the Returning Officer, for conducting the election and generally performing the duties required by any enactments relating to the election, other than any duties for which separate fees are provided. For each Electoral Division, a fee of	1-member £48.00 2-member £96.00	£52.00 £104.00
2. To a Deputy Returning Officer appointed for the purposes of conducting and generally performing the duties assigned by the Returning Officer, other than duties for which separate fees are provided. For each Electoral Division, a fee of	1-member £33.00 2-member £65.00	£36.00 £71.00
B – DISBURSMENTS	April 2022 – March 2023	April 2023 – 2024 Proposed Fees
3. Preparation of poll cards and postal vote cards for supervising the preparation and issue of official poll and postal vote cards. For each Electoral Division, a fee of.....	1-member £19.00 2-member £39.00	£20.50 £42.00
4. For the employment of persons for clerical and other assistance. For each Electoral Division	1-member £22.00 2-member £45.00	£24.00 £49.00
5. Travelling expenses of the Returning Officer, Deputy Returning Officer and Assistants. Per mile.....	£0.45	HMRC rate

	April 2022 – March 2023	April 2023 – 2024 Proposed Fees
6. For printing and providing forms, notices and other documents required for the election, including the printing costs, computer charges and all associated costs of producing official poll and postal vote cards, together with advertising expenses, postage, telephone calls and miscellaneous expenses	Actual and necessary cost	No change

PART II - CONTESTED ELECTION

A – FEES	April 2022 – March 2023	April 2023 – 2024 Proposed Fees
7. To the Returning Officer, for conducting the election and generally performing the duties required by any enactments relating to the election, other than any duties for which separate fees are provided. For each Electoral Division, a fee of.....	1-member £100.00 2-member £198.00	£108.50 £215.00
8. To a Deputy Returning Officer appointed for the purposes of conducting and generally performing the duties assigned by the Returning Officer, other than duties for which separate fees are provided. For each Electoral Division, a fee of	1-member £94.00 2-member £190.00	£102.00 £118.50

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

9. To a Deputy Returning Officer appointed solely for the purposes of rules 44 to 52 of the Local Elections (Principal Areas) (England and Wales) Rules 2006 (or such legislation as may subsequently be enacted), for making arrangements for counting the votes and declaring the result of the poll. For each Electoral Division, a fee of.....	1-member £63.00 2-member £127.00	£68.50 £138.00
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(A Deputy Returning Officer appointed under this item cannot claim the fee payable under item 14 of this scale)

9A. For each Recount.....	£16.00	£17.00
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B – DISBURSEMENTS	April 2022 – March 2023	April 2023 – 2024 Proposed Fees
10. Presiding Officer, a fee of..... or where a poll is combined with a district council OR parish council poll, a fee of..... or in the event of three or more polls being held at the same time, an additional fee of.....	£219.00 £247.00 £30.00	£233.00 £261.00 £33.00
11. Poll Clerk, a fee of..... or where a poll is combined with a district council OR parish council poll, a fee of..... or in the event of three or more polls being held at the same time, an additional fee of.....	£168.00 £178.00 £10.00	£182.00 £192.00 £11.00

(Presiding Officers and Poll Clerks may not include any additional expenses i.e. electricity charges, other than travelling expenses specified in item 23 of this scale, without the prior written express agreement of the (Deputy) Returning Officer.)

12. An additional poll clerk may be employed full-time or part-time at a polling station at the discretion of the Returning Officer or his duly appointed Deputy Returning Officer, and will be paid the fee payable under Item 11 of this scale, or an appropriate proportionate amount as applicable.		
13. Stand-by staff (Presiding Officers and Poll Clerks) who may be sent to a place of poll within the polling area in the event of emergency. This fee will be replaced by a fee set out at points 10 or 11 should staff be sent to a place of poll.		£50.00 NEW FEE
14. For the provision of training for polling station staff, including a payment for staff undertaking the training. This may be used in respect of any payment made for the collection of the ballot box ahead of an election by staff. To be distributed by the Deputy Returning Officer at their discretion. A fee of:.....	£50.00 per presiding officer and poll clerk	£54.00 per presiding officer and poll clerk
15. Counting Management Team: A fee of (a) for the first hour..... (b) for each half hour thereafter or part thereof..... In respect of overnight working (between the hours of 9.00pm-8.00am) (c) for the first hour..... (d) for each half hour thereafter or part thereof.....	£23.00 £11.50 £25.00 £12.50	£24.00 £12.00 £26.00 £13.00

<u>Weekend working:</u> will be paid at time and a half the above rates.		
16. Counting/Verification Supervisor: A fee of (e) for the first hour..... (f) for each half hour thereafter or part thereof..... In respect of overnight working (between the hours of 9.00pm-8.00am) (g) for the first hour..... (h) for each half hour thereafter or part thereof..... <u>Weekend working:</u> will be paid at time and a half the above rates.	£18.00 £9.00 £21.00 £10.50	£20.00 £10.00 £22.00 £11.00
17. Counting/Verification Assistant Supervisor: A fee of (i) for the first hour..... (j) for each half hour thereafter or part thereof..... In respect of overnight working (between the hours of 9.00pm-8.00am) (k) for the first hour..... (l) for each half hour thereafter or part thereof..... <u>Weekend working:</u> will be paid at time and a half the above rates.	£16.00 £8.00 £18.00 £9.00	£18.00 £9.00 £20.00 £10.00
18. Counting/Verification Assistant: A fee of (a) for the first hour..... (b) for each half hour thereafter or part thereof..... In respect of overnight working (between the hours of 9.00pm-8.00am) (c) for the first hour..... (d) for each half hour thereafter or part thereof..... <u>Weekend working:</u> will be paid at time and a half the above rates.	£14.00 £7.00 £16.00 £8.00	£16.00 £8.00 £18.00 £9.00
19. For the employment of persons for clerical and all other assistance other than where separate fees are provided. For each Electoral Division.....	1-member £128.00 2-member £246.00	£139.00 £267.00

	April 2022 – March 2023	April 2023 – 2024 Proposed Fees
20. Preparation and issue of poll cards and postal vote cards, for supervising the preparation and issue of official poll and postal vote cards. For each Electoral Division, a fee of.....	1-member £19.00 2-member £38.50	£20.50 £42.00
21. To an officer designated by the Returning Officer or his duly appointed Deputy, for inspection and supervision of polling stations, a fee of..... or in the event of three or more polls being held at the same time, <u>an additional</u> fee of.....	£256.00 £30.00	£278.00 £34.00
22. For preparation of ballot boxes. For each polling station, a fee of.....	£10.00	£10.50
23. Supervisor for the issue and receipt of postal ballot papers. A fee of: (a) for the first hour..... (b) for each half hour thereafter or part thereof.....	£18.00 £9.00	£20.00 £10.00
24. For the employment of persons in connection with the issue and receipt of postal ballot papers, the total sum of which to be distributed by the Deputy Returning Officer at their discretion. A fee of.....	£0.80 per postal vote	£0.85
25. Hire of rooms in connection with the issue and receipt of postal ballot papers	Actual and necessary costs	No change
26. For travelling expenses of the Returning Officer, Deputy Returning Officer, Assistants, Presiding Officers, Poll Clerks and Counting Assistants, and for posting Notices of Election and Notices of Poll. Per mile.....	£0.45	HMRC rate
27. Hire of rooms for the preparation of ballot boxes	Actual and necessary cost	No change

	April 2022 – March 2023	April 2023 – 2024 Proposed Fees
28. For preparing a room for the purpose of a poll, and of a count, and cleaning and reinstating the room (per station)		
(a) in the case of a school maintained by a local authority, which may be used free of hire charge, the caretaker's fee is to be paid in accordance with the allowances in force in the National Joint Council for Local Government Services National Agreement on Pay and Conditions of Service; or any local agreement; and	Actual and necessary cost	No Change
(b) in any other building.....	Actual and necessary cost	No change
26. Heating and lighting (per polling station) ...	Actual and necessary cost	No change
27. Conveyance of ballot boxes and voting screens.....	Actual and necessary cost	No change
29. Compensation payable in consequence of the cancellation of functions in order to make suitable premises available for use as polling stations or places of count.....	Actual and necessary cost	No change
29. For provision of ballot boxes and voting screens, for printing notices, ballot papers and other forms and documents required, including the printing costs, computer charges and all associated costs of producing the official poll and postal vote cards, and for stationery, advertising, postage, telephone calls, bank charges and miscellaneous expenses.....	Actual and necessary cost	No change

NOTE: Where there is any combination of poll with District or Parish Councillors, wherever appropriate and as far as practicable, the costs are to be shared on an equal basis between the relevant Authorities, unless a particular expense can be allocated to a specific poll.

Director of Law & Governance, Monitoring Officer
March 2023

AUDIT AND GOVERNANCE COMMITTEE – 15 March 2023

Oxfordshire Code of Corporate Governance

Report by Monitoring Officer

RECOMMENDATION

1. The Committee is RECOMMENDED to approve the Oxfordshire Code of Corporate Governance.

Executive Summary

2. In 2016 CIPFA & SOLACE produced an updated guidance and framework with the identified principles that should underpin the governance of each local authority, and a structured approach to assist individual authorities to achieve good governance, “Delivering Good Governance in Local Government: Framework 2016 Edition.” The Council’s Code of Corporate Governance is based upon this guidance.
3. The Framework urges local authorities to test their structures against seven core principles by:
 - Reviewing their existing governance arrangements against the Framework
 - Developing and maintaining an up-to-date local code of governance including arrangements for ensuring its ongoing application and effectiveness
 - Preparing an Annual Governance Statement in order to report publicly on the extent to which they comply with their own code, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.
4. The Officer Corporate Governance Assurance Group has reviewed and updated Oxfordshire County Council’s Code of Corporate Governance, which is subject to an annual review; the next review date is March 2024.

Format of the Oxfordshire Code of Corporate Governance

5. The Code of Corporate Governance sets out how Oxfordshire County Council complies with the requirements of the Code and identifies key documents, which provide detailed information as to how the Council ensures the Corporate Governance principles are adhered to.
6. Appendix A details the actions and behaviours taken by the Council that demonstrate good governance; as taken from 2016 CIPFA & SOLACE: “Delivering Good Governance in Local Government: Framework 2016 Edition”
7. Appendix B identifies evidence that demonstrates that the Council is delivering good governance

Conclusion

8. This Code of Corporate Governance has been drafted with the oversight of the Corporate Governance Assurance Group (CGAG) and with input from Extended Leadership Team representatives. The Senior Leadership Team have also had opportunity to review the Code ahead of Committee being invited to comment on the draft.
9. The Committee is invited to approve the Code of Corporate Governance.

Financial Implications

10. There are no financial implications.

Legal Implications

11. There is no statutory requirement for a Code of Corporate Governance. The Code complements and underpins the Annual Governance Statement by demonstrating, with evidence, how the Council meets the good governance principles set out in the Good Governance Framework published in 2016 by the Chartered Institute of Finance and Accountancy.

Anita Bradley
Monitoring Officer

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**OXFORDSHIRE
COUNTY COUNCIL**

Code of Corporate Governance

Review date: 30 March 2024

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Introduction

In 2016 CIPFA & SOLACE produced an updated guidance and framework with the identified principles that should underpin the governance of each local authority, and a structured approach to assist individual authorities to achieve good governance, “Delivering Good Governance in Local Government: Framework 2016 Edition.”

The Council’s Code of Corporate Governance is based upon this guidance.

What is Governance?

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads its communities.

Corporate governance in public bodies can be defined as “the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions and lead and control their functions, to achieve their objectives”. It can be further defined as including “robust systems and processes, effective leadership and high standards of behaviour, a culture based on openness and honesty and an external focus on the needs of service users and the public”.

GUIDANCE AND FRAMEWORK

The Framework urges local authorities to test their structures against seven core principles by:

- Reviewing their existing governance arrangements against the Framework
- Developing and maintaining an up-to-date local code of governance including arrangements for ensuring its ongoing application and effectiveness
- Preparing an Annual Governance Statement in order to report publicly on the extent to which they comply with their own code, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.

The preparation and publication of an annual governance statement in accordance with this Framework is necessary to meet the statutory requirement set out in Regulation 6 (4) of the Accounts and Audit (England) Regulations 2015 for authorities to prepare a statement of internal control in accordance with “proper practices”.

Internal control and risk management are increasingly recognised as important elements of good Corporate Governance.

The scope of internal control spans the whole range of the Council's activities and includes controls designed to ensure that:

- The Council's policies are implemented in practice;
- High quality services are delivered efficiently and effectively;
- The Council's values and ethical standards are met;
- Laws and Regulations are complied with
- Required procedures are adhered to;
- Financial statements and other published performance information is accurate and reliable;
- Human, financial, environmental and other resources are managed efficiently and effectively.

The Regulations place a requirement on the Council to conduct an annual review of the effectiveness of its internal controls and identify areas where improvements can be made.

POSITION IN OXFORDSHIRE

The implementation of the Accounts and Audit Regulations required the production of a Statement on Internal Control, which formed part of the Council's Statement of Accounts. The Council's Corporate Governance Assurance Framework sets out the Corporate Governance arrangements within the Council and sets out the roles and responsibilities of key Officers, Councillors and Committees within that process.

This Code of Corporate Governance sets out how Oxfordshire County Council complies with the requirements of the Code and identifies key documents, which provide detailed information as to how the Council ensures these Corporate Governance principles are adhered to.

Core Principles

The Council's Code of Corporate Governance is based on seven core principles: -

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- B. Ensuring openness and comprehensive stakeholder engagement;
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes;
- E. Developing the County Council's capacity, including the capability of its leadership and the individuals within it;
- F. Managing risks and performance through robust internal control and strong public financial management; and
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The Code specifically identifies the actions and behaviours taken by the Council in relation to each of these core principles and associated sub principles. The Code, along with its supporting infrastructure is set out below at Appendix A, with evidence of compliance summarised in in Appendix B.

The Audit and Governance Committee is currently responsible for approving this Code and ensuring it is annually reviewed and updated accordingly.

Next Review date: 30 March 2024

Appendix A - Actions and behaviours taken by the Council that demonstrate good governance

As taken from 2016 CIPFA & SOLACE: “Delivering Good Governance in Local Government: Framework 2016 Edition”

Principle	Sub Principles	Council Actions and Behaviours
(A) Behaving with integrity, demonstrating strong Commitment to ethical values, and respecting the rule of law	Behaving with integrity	<ul style="list-style-type: none"> Ensure that Members and Officers behave with integrity and lead a culture where acting in the public interest is visible and consistently demonstrated thereby protecting the reputation of the Council; Ensure that Members take the lead in establishing specific standard operating principles or values for the Council and its staff and that they are communicated and understood. These will build on the Seven Principles of Public Life (The Nolan Principles); Lead by example and use the above standard operating principles or values as a framework for decision making and other actions; and Demonstrate, communicate and embed the standard operating principles or values through appropriate policies and processes which will be reviewed on a regular basis to ensure they are operating effectively.
	Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> Seek to establish, monitor and maintain the Council’s ethical standards and performance; Underpin personal behaviour with ethical values and ensure they permeate all aspects of the Council’s culture and operation; Develop and maintain robust policies and procedures which place emphasis on agreed ethical values; and Ensure that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the Council.
	Respecting the Rule of Law	<ul style="list-style-type: none"> Ensure Members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations; Create the conditions to ensure that the statutory officers, other key post holders, and Members are able to fulfil their responsibilities in accordance with legislative and regulatory provisions; Strive to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders; Deal with breaches of legal and regulatory provisions effectively; and Ensure corruption and misuse of power is dealt with effectively.
(B) Ensuring openness and comprehensive stakeholder engagement	Openness	<ul style="list-style-type: none"> Ensure an open culture through demonstrating, documenting, and communicating the Council’s commitment to openness; Make decisions that are open about actions, plans, resource use, forecasts, outputs, and outcomes. The presumption will be for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential will be provided; Provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and will be explicit about the criteria, rationale and considerations used. In due course, the Council will ensure that the impact and consequences of those decisions are clear; and Use formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action.
		<ul style="list-style-type: none"> Effectively engage with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably; Develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively; and Ensure that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.
	Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> Establish a clear policy on the type of issues that the Council will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes; Ensure that communication methods are effective, and that Members and Officers are clear about their roles with regard to community engagement; Encourage, collect, and evaluate the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs; Implement effective feedback mechanisms in order to demonstrate how their views have been taken into account; Balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity; and Take account of the interests of future generations of taxpayers and service users.
	Engaging stakeholders individual citizens and service users	

Principle	Sub Principles	Council Actions and Behaviours
(C) Defining outcomes in terms of sustainable economic, social and environmental benefits	Defining outcomes	<ul style="list-style-type: none"> Have a clear vision, which is an agreed formal statement of the Council's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the Council's overall strategy, planning, and other decisions; Specify the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer; Deliver defined outcomes on a sustainable basis within the resources that will be available; Identify and manage risks to the achievement of outcomes; and Manage service users' expectations effectively with regard to determining priorities and making the best use of the resources available.
	Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> Consider and balance the combined economic, social, and environmental impact of policies, plans and decisions when taking decisions about service provision; Take a longer- term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the Council's intended outcomes and short-term factors such as the political cycle or financial constraints; Determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs; and Ensure fair access to services.
(D) Determining the interventions necessary to optimise	Determining interventions	<ul style="list-style-type: none"> Ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore, ensuring best value is achieved however services are provided; and Consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.
	Planning interventions	<ul style="list-style-type: none"> Establish and implement robust planning and control cycles that cover strategic and operational plans, priorities and targets; Engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered; Consider and monitor risks facing each partner when working collaboratively including shared risks; Ensure arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances; Establish appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured; Ensure capacity exists to generate the information required to review service quality regularly; Prepare budgets in accordance with organisational objectives, strategies and the medium-term financial plan; and Inform medium and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.
	Optimising intended outcomes	<ul style="list-style-type: none"> Ensure the medium-term financial strategy integrates and balances service priorities, affordability, and other resource constraints; Ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term; Ensure the medium-term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage; and Ensure the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes".

Principle	Sub Principles	Council Actions and Behaviours
(E) Developing the Council's capacity, including the capability of its leadership and the individuals within it	Developing the Council's capacity	<ul style="list-style-type: none"> Review operations, performance use of assets on a regular basis to ensure their continuing effectiveness; Improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the Council's resources are allocated so that outcomes are achieved effectively and efficiently; Recognise the benefits of partnerships and collaborative working where added value can be achieved; and Develop and maintain an effective workforce plan to enhance the strategic allocation of resources.
	Developing the capability of the County Council's leadership and other individuals	<ul style="list-style-type: none"> Develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained; Publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body; Ensure the Leader and the Chief Executive have clearly defined and distinctive leadership roles within a structure whereby the Chief Executive leads the Council in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority; Develop the capabilities of Members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political, and environmental changes and risks by: <ul style="list-style-type: none"> ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged; ensuring Members and Officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis; and ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external. Ensure that there are structures in place to encourage public participation; Take steps to consider the leadership's own effectiveness and ensure leaders are open to constructive feedback from peer review and inspections; Hold staff to account through regular performance reviews which take account of training or development needs; and Ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.
(F) Managing risks and performance through financial management	Managing Risk	<ul style="list-style-type: none"> Recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making; Implement robust and integrated risk management arrangements and ensure that they are working effectively; and Ensure that responsibilities for managing individual risks are clearly allocated.
	Managing Performance	<ul style="list-style-type: none"> Monitor service delivery effectively including planning, specification, execution and independent post implementation review; Make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the Council's financial, social and environmental position and outlook; Ensure an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the Council's performance and that of any organisation for which it is responsible; Provide Members and senior management with regular reports on service delivery plans and on progress towards outcome achievement; and Ensure there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).
	Robust internal control	<ul style="list-style-type: none"> Align the risk management strategy and policies on internal control with achieving objectives; Evaluate and monitor the Council's risk management and internal control arrangements on a regular basis; Ensure effective counter fraud and anti-corruption arrangements are in place; Ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor; Ensure an Audit and Governance Committee which is independent of the executive and accountable to the Council: <ul style="list-style-type: none"> provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and that its recommendations are listened to and acted upon.

Principle	Sub Principles	Council Actions and Behaviours
(F) Managing risks and performance through robust internal control and strong public financial management	Managing Data	▪ Ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data;
		▪ Ensure effective arrangements are in place and operating effectively when sharing data with other bodies; and
		▪ Review and audit regularly the quality and accuracy of data used in decision making and performance monitoring;
	Strong public financial management	▪ Ensure financial management supports both long-term achievement of outcomes and short-term financial and operational performance; and
		▪ Ensure well –developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.
(G)Implementing good practices in transparency, accountability	Implementing good practice in transparency	▪ Write and communicate reports for the public and other stakeholders in a fair, balanced, and understandable style appropriate to the intended audience ensuring that they are easy to access and interrogate; and
		▪ Strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.
	Implementing good practices in reporting	▪ Report at least annually on performance, value for money and the stewardship of its resources to stakeholders in a timely and understandable way;
		▪ Ensure Members and senior management own the results;
		▪ Ensure robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publish the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (Annual Governance Statement);
		▪ Ensure that the Framework is applied to jointly managed or shared service organisations as appropriate; and
		▪ Ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.
	Assurance accountability	▪ Ensure that recommendations for corrective action made by external audit are acted upon;
		▪ Ensure an effective internal audit service with direct access to Members is in place which provides assurance with regard to governance arrangements and that recommendations are acted upon;
		▪ Welcome peer challenge, reviews and inspections from regulatory bodies and implement recommendations;
		▪ Gain assurance on risks associated with delivering services through third parties and evidence this in the annual governance statement; and
		▪ Ensure that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.

Appendix B – Oxfordshire County Council’s Evidence of Good Governance

Core Principles	(A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	(B) Ensuring openness and comprehensive stakeholder engagement	(C) Defining outcomes in terms of sustainable economic, social, and environmental benefits	(D) Determining the interventions necessary to optimise the achievement of the intended outcomes	(E) Developing the Council’s capacity, including the capability of its leadership and the individuals within it	(F) Managing risks and performance through robust internal control and strong public financial management	(G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability
Evidence of Good Governance	The Constitution	Strategic Plan 2022-25	Cabinet Reports	Delivering the Future Together (DTFT) Board	The Constitution	The Constitution Scheme of Delegation	Audit and Governance Committee, Terms of Reference
	Schemes of Delegation / Decision making protocols	Decision Making Protocols Oxfordshire County Council website – Key Decisions	Strategic Plan 2022-25	Budget Consultations – Reported to Cabinet	Protocol on Members’ Rights and Responsibilities Constitution – Opposition rights	Audit and Governance Committee, Corporate Governance Assurance	Scrutiny Committee/Framework
	Audit & Governance Committee / Terms of Reference	Annual Statement of Accounts/ Annual Governance Statement	Scrutiny Committees	Stakeholder Engagement	Member Induction/Development Programme	Scrutiny Committee/Framework Cabinet Report	Decision Making Protocols
	Scrutiny Committees Standards Committee Terms of Reference	Health Improvement Partnership Board; Future Oxfordshire Partnership (formerly the Oxfordshire Growth Board)	Oxfordshire Vision for Long-Term Sustainable Development; Shared regional principles for protecting, restoring and enhancing the environment	Business Cases including options appraisals	Workforce Planning Toolkit	Pension Fund Committee / Pensions Benefit Sub Committee Monthly Business Management and Monitoring reports	External audit of accounts and VFM opinion
	Financial Procedure Rules / Financial Regulations / Contract Procedure Rules Ethical Procurement Policy Statement	Public Meetings		Director of Finance statement, section 25 of the Local Government Finance Act 2003	Chief Executive Appraisal Process Leadership / Management Development Programmes	Financial Procedure Rules / Financial Regulations / Contract Procedure Rules Business and Budget Planning Process	Annual Statement of Accounts
	Statutory Officer roles: Head of Paid Service (Chief executive), Director of Finance, Monitoring Officer. Chief Internal Auditor <u>mandate/Internal</u>	Scrutiny Committee Work Programmes Health Overview and Scrutiny Committees	Business Cases / Options Appraisals to support decision making	Business and Budget Planning Process; Monthly Business Management Reporting	12:3:2 / 1-2-1 programmes – managing for performance, Managing for Performance Framework Organisational Development Programme	External audit of accounts and Value For Money (VFM) opinion/ statement of accounts/ medium term financial strategy / Internal Audit	Annual Governance Statement Corporate Governance Assurance Framework
	Members’ and Officers’ Codes of Conduct, LGA Model Code of Member conduct	Annual Budget Consultation Engagement Toolkit Annual Residents Survey	Business and Budget Planning process, including Service Plans	Medium Term Financial Strategy	Annual Monitoring Officer’s Report Annual Governance Statement	Financial Management Code of Practice Annual Compliance review; Internal Audit, Public Sector Internal Audit Standards (PSIAS) external assessment	Chief Internal Auditors Annual Opinion / Report
	Member/Officer Induction Programme Members’/Officers’ Register of Interest	Co-production Programme	Social Value Policy	Business Continuity Plans Contingency Planning Local Resilience Forum	Benchmarking Local Government Association Peer Review Internally led reviews / independent challenge External Reviews	Data Protection and Information Security Incident Policy Information asset registers Data Protection Training Information Governance Board/Group Privacy Assessments	Internal Audit Service Children’s Social Care Annual Report
	Delivering the Future Together programme Protocol on Member Officer relations	Joint Strategic Needs Assessment	Risk & Opportunities Management Strategy Risk Registers	Risk & Opportunities Management Strategy	Health and Safety Governance Framework and policies Wellbeing advice Coronavirus support and advice Employee assistance	Risk & Opportunities Management Strategy Risk Management Framework Risk Based Internal Auditing Service / planning	Business and Budget Planning process / Monthly Business Management Reporting
	Counter Fraud Strategy	Joint performance risk and finance reporting		Annual Service Delivery Plans	Mentoring Opportunities	Strategic Risk Register Leadership Risk Register	Transparency Code

	Anti-Bribery and Anti-Money Laundering Policies	Transparency Code	Monthly Business Management reports	Social Value Policy	Delivering the Future Together (DTFT) Board	Chief Internal Auditors Annual Opinion / Report Annual Governance	Oxfordshire County Council Website
	Whistleblowing policy Transparency Code	Corporate and Statutory Complaints Procedures	Transparency Code	Decision Making Protocols	Continuing Professional Development (CPD)	Monthly Performance, Risk and Financial Reports	Freedom of Information Publication Scheme
	Risk & Opportunities Strategy	Freedom of Information Publication Scheme	Equality Diversity and Inclusion Framework, Equality and Climate Impact Assessments		Scheme of Delegation	Counter Fraud Strategy Anti-Bribery and Anti-Money Laundering Policies	Corporate and Statutory Complaints Procedures
	Embedded organisational values through network of 190 Delivering the Future Embedded organisational values through network of 190 Delivering the Future Together Champions.	Consultation and Engagement Strategy 2022-25 and accompanying best practice guidance	Strategy, monitoring and reporting	Monitoring and reporting against key policies, policy review	Succession planning and talent management to manage current and future risks of key personnel together with opportunities for individual growth and promotion. (An employer of choice)	Business Continuity Plans Contingency Planning Local Resilience Forum	Unacceptable Behaviour Policy
	Procurement Strategy	Project Initiation Document, Stakeholder Mapping	Programme led delivery, benefits realisation, monitoring, reporting, evaluation and review	Programme and project management	Recruitment and retention	Established and effective systems and processes for managing employee relations	Job Descriptions Job Evaluation Shortlisting, Interview and Recruitment
	Customer Service Standards	Website and all communications			Apprenticeships	Procurement Strategy	Business management and monitoring report
	Mandatory e-learning induction modules	Available in alternative languages, formats eg audio, braille			IT & Digital	Strategic Capital Boards	Robust Directorate Leadership Team agenda
	Planning and Regulation Committee	Voluntary and Community Sector Strategy 2022-2027			Agile working	Business management and monitoring report	
	Climate Action Programme Board				Service and performance review		
	Cabinet and full Council decision-making				Senior Managers Forum		

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Oxfordshire County Council Draft Audit planning report

Year ended 31 March 2022

6 March 2023

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Private and Confidential

Audit and Governance Committee
Oxfordshire County Council
County Hall

6 March 2023

Dear Audit and Governance Committee Members

We are pleased to attach our Draft Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Governance Committee with a basis to review our proposed audit approach and scope for the 2021/22 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for Oxfordshire County Council, and outlines our planned audit strategy in response to those risks. Audit planning is an ongoing process and we have yet to complete our detailed audit planning and will report any changes to risks and areas of focus to the next Committee meeting. This draft plan therefore represents our work to this point in time.

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

We welcome the opportunity to discuss this report with you on 15 March 2023 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Maria Grindley

For and on behalf of Ernst & Young LLP

Enc

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



01

Overview of our 2021/22 audit strategy



Overview of our 2021/22 audit strategy

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

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Valuation of land and buildings and investment property	Significant Risk	No Change	<p>Property, Plant and Equipment Land and Buildings (L&B) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Material judgemental inputs and estimation techniques are required to calculate the year-end L&B and IP balances held in the balance sheet.</p> <p>As the Council's asset base is significant, and the outputs from the valuers are subject to estimation, there is a higher risk that L&B and IP may be under/overstated or the associated accounting entries incorrectly posted.</p> <p>We are required to undertake procedures on the use of experts and assumptions underlying fair value estimates.</p>
Incorrect capitalisation of revenue expenditure	Significant and Fraud Risk	No Change	<p>Linked to the risk of 'misstatements due to fraud and error', inappropriate revenue or expenditure recognition would most likely be affected through the override of controls.</p> <p>This risk manifests itself in areas where management makes judgements that impact the General Fund balance through determining whether items of expenditure are financed from capital or revenue resources.</p> <p>As such we associate this risk with capital additions and Revenue Expenditure Funded from Capital Under Statute (REFCUS).</p>
Valuation of defined benefit pension scheme	Inherent Risk	No Change	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Oxfordshire County Council.</p> <p>The Council's pension liability is a material estimated balance and is required to be disclosed on the Council's balance sheet. At 31 March 2022 this totalled £1,119 million.</p> <p>The information disclosed is based on the IAS 19 report issued by the Pension Fund actuary to the Council. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on its behalf.</p> <p>We are required to undertake procedures on the use of the use of the actuary as management's expert and the assumptions underlying fair value estimates.</p>

Overview of our 2021/22 audit strategy

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

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Inappropriate infrastructure asset recognition and derecognition	Inherent Risk	Change in Risk or Focus	An issue was raised via the NAO's Local Government Technical Group as to whether local authorities should be assessing if there is any undepreciated cost remaining in the balance sheet for replaced components that need to be de-recognised when the subsequent expenditure is added. It was highlighted that this could also lead to issues related to the reporting of gross historical cost and accumulated depreciation as elements of depreciated historical cost. This is a national issue impacting the majority of clients holding material infrastructure assets. Legislation has recently been passed which offers a time limited resolution to the matter. Therefore, we considered this as a higher inherent risk due to the timing of this report and the fact that we are currently working on the Council's proposed response to the new legislation as part of the close out of the 2020/21 audit. This risk may change as we complete our work.

Overview of our 2021/22 audit strategy

Materiality

Planning
materiality

£20,921k

Materiality has been set at £20,921k, which represents 1.8% (PY: 1.8%) of the prior years gross expenditure on provision of services.

Performance
materiality

£10,460k

Performance materiality has been set at £10,460 k, which represents 50% (PY: 75%) of materiality.

Audit
differences

£1,046k

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, and cash flow statement) greater than £1,046 k. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit and Governance Committee.

Overview of our 2021/22 audit strategy

Audit scope

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

- Our audit opinion on whether the financial statements of Oxfordshire County Council give a true and fair view of the financial position as at 31 March 2022 and of the income and expenditure for the year then ended; and
- Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 03.

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

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards. When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

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

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the ISA 540 (revised) and the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Oxfordshire Country Council's audit, we will discuss these with management as to the impact on the scale fee.

Effects of climate-related matters on financial statements and Value for Money arrangements:

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

IFRS 16 (Leases):

IFRS 16 has been deferred until 2024/25 and therefore will not impact the 2021/22 audit.

Overview of our 2021/22 audit strategy

Value for money conclusion

We include details in Section 03 but in summary:

- We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- We will provide a commentary on the Council's arrangements against three reporting criteria:
 - Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
 - Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
 - Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The commentary on VFM arrangements will be included in the Auditor's Annual Report.

Timeline

The Ministry of Housing, Communities and Local Government established regulations to extend the target date for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years).

In December 2021, the Department for Levelling Up, Housing and Communities (DLUHC) announced proposals to extend the deadline for the publication of audited accounts to 30 November for 2021/22.

Given the delays in the certification of the 2020/21 accounts the Council has clearly missed this target date. We are working with the Council to deliver the 2021/22 audit in an efficient manner. In Section 07 we include a provisional timeline for the audit.

We will provide an update at the next Audit and Governance Committee meeting.



02

Audit risks





Audit risks

Our response to significant risks

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

Valuation of land and buildings and investment property

Page 99

Financial statement impact

Land and buildings or investment property are incorrectly valued this would have the impact of understating expenditure. Relevant accounts had the following balances in the 2021/22 financial statements:

Property, plant and Equipment (Other Land and Buildings (OLB) and Surplus Assets (SA))

OLB- £582.74m

SA-£3.99m

Investment Properties - £26.25m

What is the risk?

Land and Buildings (L&B) and Investment Property (IP) are significant balance in the Council's Balance Sheet. The valuation of L&B and IP is complex and subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.

In the prior year we also challenged a number of assumptions and the Council in discussions with their valuers have amended a number of assumptions around valuation dates and also the approach to the size applied to Modern Equivalent Asset base valuation sizes.

Our significant risk is attached to the valuation assertion on land and buildings and also investment property assets.

What will we do?

We will:

- ▶ consider the competence, capability and objectivity of the Council's valuers;
- ▶ consider the scope of valuers' work;
- ▶ ensure L&B assets have been revalued within a 5 year rolling programme as required by the Code;
- ▶ ensure IP has been annually revalued as required by the Code;
- ▶ consider if there are any specific changes to assets that should have been communicated to the valuer(s);
- ▶ engage with EY Real Estates to conduct a review of a sample of asset valuations to ensure that the methodology used is appropriate;
- ▶ sample test key inputs used by the valuer(s) when producing valuations;
- ▶ consider the results of the valuers' work;
- ▶ challenge the assumptions used by the Council's valuers by reference to external evidence and our EY valuation specialists (where necessary);
- ▶ test journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements;
- ▶ test a sample of assets revalued in year to confirm that the valuation basis is appropriate and the accounting entries are correct;
- ▶ review assets that are not subject to valuation in 2021/22 to confirm the remaining asset base is not materially misstated;
- ▶ ensure the appropriate disclosure has been made in the accounts in relation to any valuation uncertainty; and
- ▶ review specifically any changes to approach to valuations as previously discussed and highlighted in 2020/21.



Audit risks

Our response to significant risks (continued)

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

<div>Misstatements due to fraud or error*</div>	<div>What is the risk?</div>	<div>What will we do?</div>
<div>financial statement impact</div> <div>Misstatements that occur in relation to the risk of fraud due to management override could affect a number of areas of the financial statements.</div>	<div>As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.</div> <div>We identify and respond to this risk on every audit engagement.</div>	<div><ul style="list-style-type: none">▶ Inquire of management about risks of fraud and the controls put in place to address those risks.▶ Understand the oversight given by those charged with governance of management's processes over fraud.▶ Consider of the effectiveness of management's controls designed to address the risk of fraud.</div> <div>Perform mandatory procedures regardless of specifically identified fraud risks, including:</div> <div><ul style="list-style-type: none">▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements▶ Assessing accounting estimates for evidence of management bias, and▶ Evaluating the business rationale for significant unusual transactions.</div> <div>We will utilise our data analytics capabilities to assist with our work.</div>



Audit risks

Our response to significant risks (continued)

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

	What is the risk?	What will we do?
<p>Incorrect capitalisation of revenue expenditure*</p> <p>Financial statement impact</p> <p>Revenue transactions were financed from capital resources, this would have the impact of understating revenue expenditure (causing the general fund to be overstated) and overstating capital additions and/or Revenue Expenditure Funded from Capital Under Statute (REFCUS) in the financial statements. Relevant accounts had the following balances in the 2020/21 financial statements:</p> <p>PPE additions: £96.0 m REFCUS: £78.7 m</p>	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>Linked to the risk of 'misstatements due to fraud and error', inappropriate revenue or expenditure recognition would most likely be affected through the override of controls.</p> <p>This risk manifests itself in areas where management makes judgements that impact the general fund balance through determining whether items of expenditure are financed from capital or revenue resources.</p> <p>As such we associate this risk with capital additions and Revenue Expenditure Funded from Capital Under Statute (REFCUS).</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ test a sample of capital additions. We will examine invoices, capital expenditure authorisations and other evidence that supports the appropriateness of these additions. We will ensure that the items are capital in nature, and do not include revenue items; and ▶ test a sample of expenditure classified as REFCUS to ensure that it meets the definition in the Local Government Act 2003 and related regulations and directions. ▶ undertake journal testing - we will use our testing of Journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised. <p>We will utilise our data analytics capabilities to assist with our work through identifying high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.</p>



Audit risks

Other areas of audit focus

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

What is the risk/area of focus?	What will we do?
<p><u>Valuation of defined benefit pension scheme</u></p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Oxfordshire County Council.</p> <p>The Council's pension liability is a material estimated balance and is required to be disclosed on the Council's balance sheet. At 31 March 2021 this totalled £1,119 million.</p> <p>The information disclosed is based on the IAS 19 report issued by the Pension Fund actuary to the Council. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on its behalf.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ liaise with the auditors of Oxfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council's scheme members; ▶ assess the work of the LGPS Pension Fund actuary (Aon Hewitt) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; ▶ review Oxfordshire Pension Fund's financial statements and compare the year end asset value with the estimate used by the actuary when producing the Council's IAS 19 report; ▶ engage with internal pension team to review the IAS19 calculation; ▶ consider any updated information in respect of the impact of national issues; and ▶ review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Other areas of audit focus

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

What is the risk/area of focus?	What will we do?
<p>Inappropriate infrastructure asset recognition and derecognition</p> <p>An issue was raised via the NAO's Local Government Technical Group as to whether local authorities should be assessing if there is any undepreciated cost remaining in the balance sheet for replaced components that need to be de-recognised when the subsequent expenditure is added. It was highlighted that this could also lead to issues related to the reporting of gross historical cost and accumulated depreciation as elements of depreciated historical cost. This is a national issue impacting the majority of clients holding material infrastructure assets. Legislation has recently been passed which offers a time limited resolution to the matter through a Statutory Instrument and also an adaptation of the CIPFA Code. Therefore, we considered this as a higher inherent risk due to the timing of this report and the fact that we have been unable to yet audit the Council's proposed response to the new legislation.</p> <p>Asset registers do not tend to record infrastructure capital expenditure with sufficient detail to enable identification of prior cost of replaced parts/components and related accumulated depreciation. Given this lack of record keeping, it is not possible to identify the cost and accumulated depreciation balances that need to be de-recognised. The issue affects additions to infrastructure from 2010/11 when IFRS was adopted by the CIPFA code of practice. Infrastructure Assets have a Gross Book Value of £303.6 m as at 31 March 2020.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Review the time-limited legislation passed in December 2022 to address the matter; and ▶ Assess the Council's proposed response, including any associated accounting adjustments and disclosures, to the revised legislation. <p>We are currently working on the Council's proposed response to the new legislation as part of the close out of the 2020/21 audit. This risk may change as we complete our work.</p>



03

Value for Money Risks





Value for Money

Council responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

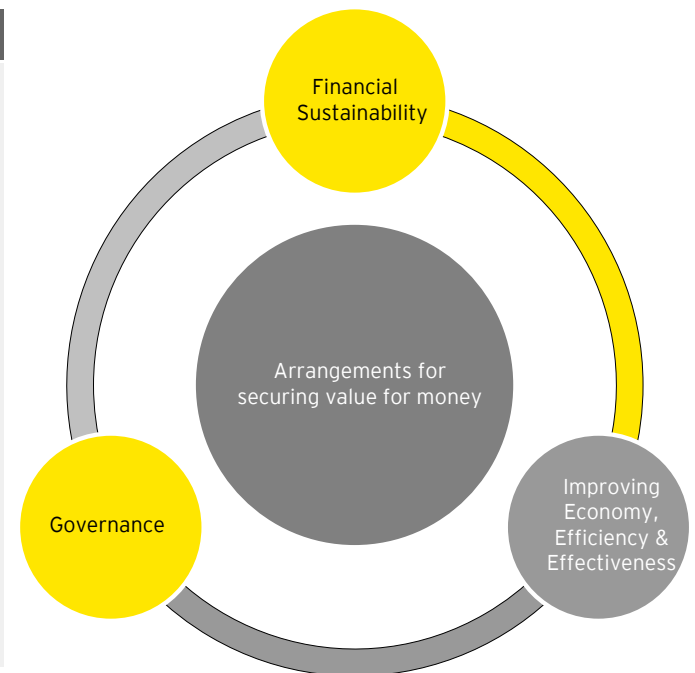
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor responsibilities

Under the NAO Code of Audit Practice we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.





Value for Money

Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Council's arrangements, we are required to consider:

- The Council's governance statement;
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies; and
- Any other evidence source that we regards as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to - or could reasonably be expected to lead to - unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.



Value for Money

Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit and Governance Committee.

Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the commentary on arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2021/22 VFM planning

We have yet to complete our detailed VFM planning. However, one area of focus will be on the arrangements that the Council has in place in relation to financial sustainability - including the impact of Covid-19 on the medium term financial planning. We will also review the latest position regarding the Dedicated Schools Grant (DSG) as at 31 March 2022 and consider the latest forecasts regarding projected increases as well as any mitigations being undertaken at the Council.

We will update the next Audit and Governance Committee meeting on the outcome of our VFM planning and our planned response to any additional identified risks of significant weaknesses in arrangements.



04

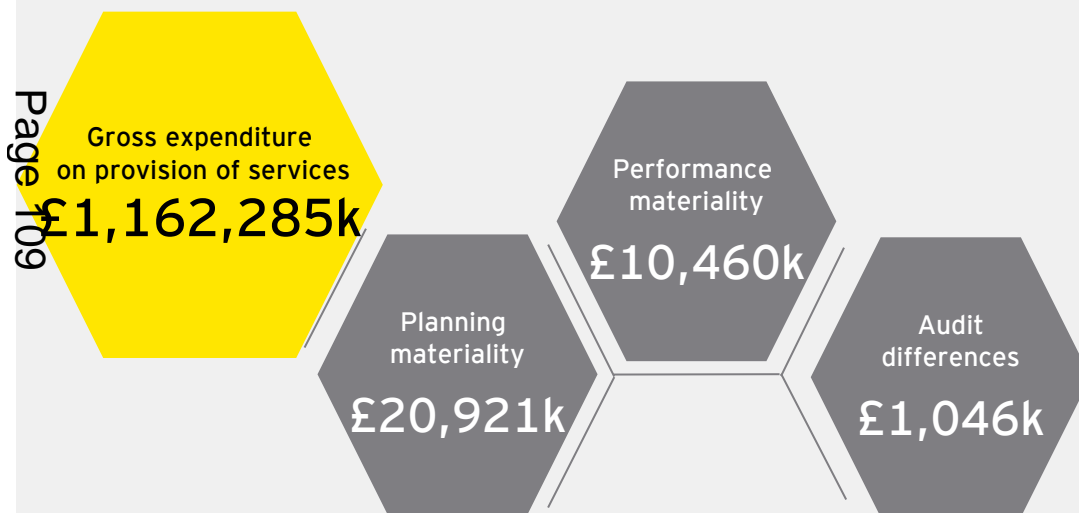
Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2021/22 has been set at £20,921k. This represents 1.8% (PY: 1.8%) of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process.



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

Key definitions

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

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £10,460k which represents 50% (PY:75%) of planning materiality. This threshold reflects our expectation of errors as based on prior years and also the fact that there is a new finance team in place.

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

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

Specific materiality - We have set a materiality of £5k for the audit fee and remuneration disclosures and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.

Materiality

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

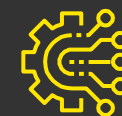
We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- ▶ Remuneration disclosures including councillor allowances: we will agree all disclosures back to source data, and councillor allowances to the agreed and approved amounts.
- ▶ Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- Page 112
- whether the financial statements give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and
 - whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements; and
- where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

As outlined in Section 03, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

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

Our initial assessment of the key processes across the Council has identified the following key processes where we will seek to rely on controls, both manual and IT:

- ▶ Accounts Receivables
- ▶ Accounts Payable
- ▶ Cash

For the remainder of transactions in 2021/22 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

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

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

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

Internal audit:

As in prior years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year where issues are raised that could have an impact on the year-end financial statements.



06

Audit team



Audit team

Audit team structure:

Maria Grindley
Lead Audit Partner

Adrian Balmer
Senior Manager

Francesca Keates
Assistant Manager

Harry Stoneman
Senior (initial planning)
TBC for interim and final

EY Real Estates

PWC (consulting
actuary) and EY
Actuaries

Data Analytics
Team

Use of specialists

- ▶ Our approach to the involvement of specialists, and the use of their work.

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

Area	Specialists
Valuation of Land and Buildings	EY Valuations Team
Pensions disclosure	EY Actuaries

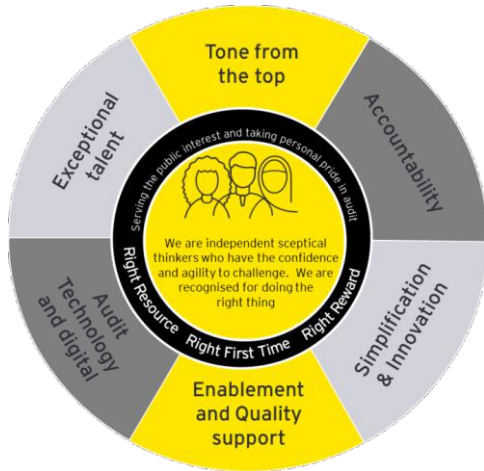
In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

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

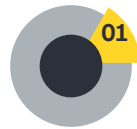
- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the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

Developing the right Audit Culture

In July 2021, EY established a UK Audit Board (UKAB) with a majority of independent Audit Non-Executives (ANEs). The UKAB will support our focus on delivering high-quality audits by strengthening governance and oversight over the culture of the audit business. This focus is critical given that audit quality starts with having the right culture embedded in the business.

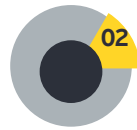


3. The six pillars of **Sustainable Audit Quality** are implemented.



Tone at the top

The internal and external messages sent by EY leadership, including audit partners, set a clear tone at the top - they establish and encourage a commitment to audit quality



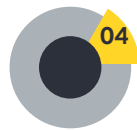
Exceptional talent

Specific initiatives support EY auditors in devoting time to perform quality work, including recruitment, retention, development and workload management



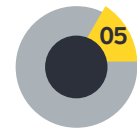
Accountability

The systems and processes in place help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition



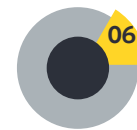
Audit technology and digital

The EY Digital Audit is evolving to set the standard for the digital-first way of approaching audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality



Simplification and innovation

We are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit



Enablement and quality support

How EY teams are internally supported to manage their responsibility to provide high audit quality

A critical part of this culture is that our people are **encouraged and empowered to challenge and exercise professional scepticism** across all our audits. However, we recognise that creating a culture requires more than just words from leaders. It has to be reflected in the lived experience of all our people each and every day enabling them to challenge themselves and the companies we audit.

Each year we complete an audit quality culture assessment to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to our audit quality culture of the future. We action points that arise to ensure our culture continues to evolve appropriately.

2021 Audit Culture Survey result

A cultural health score of 78% (73%) was achieved for our UK Audit Business

We bring our culture alive by investing in three priority workstreams:

- Audit Culture with a focus on professional scepticism
- Adopting the digital audit
- Standardisation

This investment has led to a number of successful outputs covering training, tools, techniques and additional sources. Specific highlights include:

- Audit Purpose Barometer
- Active Scepticism Framework
- Increased access to external sector forecasts
- Forensic risk assessment pilots
- Refreshed PLOT training and support materials, including embedding in new hire and trainee courses
- Digital audit training for all ranks
- Increased hot file reviews and improved escalation processes
- New work programmes issued on auditing going concern, climate, impairment, expected credit losses, cashflow statements and conducting effective group oversight
- Development of bite size, available on demand, task specific tutorial videos

"A series of company collapses linked to unhealthy cultures.....have demonstrated why cultivating a healthy culture, underpinned by the right tone from the top, is fundamental to business success."

Sir John Thompson
Chief Executive of the FRC

Our audit culture is the cement that binds together the building blocks and foundation of our audit strategy. We have been thoughtful in articulating a culture that is right for us: one that recognises we are part of a wider, global firm and is clear about whose interests our audits serve.

There are three elements underpinning our culture:

1. Our people are focused on a **common purpose**. It is vital we foster and nurture the values, attitudes and behaviours that lead our people to do the right thing.
2. The essential attributes of our audit business are:
 - ▶ **Right resources** – We team with competent people, investing in audit technology, methodology and support
 - ▶ **Right first time** – Our teams execute and review their work, consulting where required to meet the required standard
 - ▶ **Right reward** – We align our reward and recognition to reinforce the right behaviours



07

Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2021/22.

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

Audit phase	Timetable	Audit and Governance Committee timetable	Deliverables
Planning:	January 2023		
Risk assessment and setting of scopes.			
Walkthrough of key systems and processes	January 2023		
Year end audit	January - March 2023	Audit and Governance Committee	Audit Planning Report
Year end audit (cont'd)	April 2023		
Year end audit (cont'd)	May 2023	Audit and Governance Committee	Draft Audit Results Report
Year end audit (cont'd)	June 2023		Draft Audit Results Report
Audit Completion procedures	July - September 2023	Audit and Governance Committee	Audit and Governance Committee
Finalisation of Auditor's Annual Report			Draft Audit opinions and completion certificates
			Auditor's Annual Report



08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<div> <div> Page 121 </div> <ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; <p>The overall assessment of threats and safeguards; Information about the general policies and process within EY to maintain objectivity and independence.</p> </div>	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit/additional services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ▶ An opportunity to discuss auditor independence issues.

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

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

Relationships, services and related threats and safeguards

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

Overall Assessment

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

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we have an investment in the Council; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees. We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with our policy on pre-approval.

In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, the current ratio of non-audit fees to audit fees is not considered to be significant. No additional safeguards are required. A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

Self review threats

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

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

Management threats

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

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

Other communications

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.
There are no other threats at the date of this report.

EY Transparency Report 2022

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2022: [EY UK 2022 Transparency Report | EY UK](#)



09

Appendices



Appendix A

Fees

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

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2021/22	Scale fee 2021/22	Final Fee 2020/21
	£	£	£
Total Fee - Code work	Note 2	£84,668	Note 1
Other	TBC		Note 1

All fees exclude VAT

(1) The 2020/21 Code work included additional work in a number of areas. We are currently assessing the impact and will discuss the additional fee with officers. Once we have agreed the variation with officers we will then need to seek approval from PSAA.

(2) For 2021/22, the scale fee will be impacted by a range of factors which will result in additional work. The issues we have identified at the planning stage which will impact on the fee include:

- Additional procedures to consider the Council's going concern assessment, including our internal consultation requirement.
- The need to engage EY Real Estate to review the valuation of a sample of Land and Buildings to ensure the methodology used by the valuer is appropriate
- The need to engage EY Pensions to review assumptions and calculation used in the Pensions IAS19 liability.

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

The agreed fee presented is based on the following assumptions:

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

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

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




Required communications with the Audit and Governance Committee

We have detailed the communications that we must provide to the Audit and Governance Committee.

Our Reporting to you		
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Draft Audit planning report presented at the March 2023 Audit & Governance Committee meeting
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Draft Audit results report to be presented at the May 2023 Audit & Governance Committee meeting.

Appendix B

Required communications with the Audit and Governance Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Draft Audit results report to be presented at the May 2023 Audit & Governance Committee meeting.
Financial statements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Draft Audit results report to be presented at the May 2023 Audit & Governance Committee meeting.
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements 	Draft Audit results report to be presented at the May 2023 Audit & Governance Committee meeting.
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> Management; Employees who have significant roles in internal control; or Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit and Governance Committee responsibility 	Draft Audit results report to be presented at the May 2023 Audit & Governance Committee meeting.

Appendix B

Required communications with the Audit and Governance Committee (continued)

Required communications		Our Reporting to you
	What is reported?	When and where
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Draft Audit results report to be presented at the May 2023 Audit & Governance Committee meeting.
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Draft Audit planning report presented at the March 2023 Audit & Governance Committee meeting</p> <p>Draft Audit results report to be presented at the May 2023 Audit & Governance Committee meeting.</p>




Appendix B

Required communications with the Audit and Governance Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Draft Audit results report to be presented at the May 2023 Audit & Governance Committee meeting.
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of 	Draft Audit results report to be presented at the May 2023 Audit & Governance Committee meeting.
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Draft Audit results report to be presented at the May 2023 Audit & Governance Committee meeting.

Appendix B

Required communications with the Audit and Governance Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Draft Audit results report to be presented at the May 2023 Audit & Governance Committee meeting.
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Draft Audit results report to be presented at the May 2023 Audit & Governance Committee meeting.
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Draft Audit results report to be presented at the May 2023 Audit & Governance Committee meeting. Auditor's Annual Report
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Draft Audit planning report presented at the March 2023 Audit & Governance Committee meeting Draft Audit results report to be presented at the May 2023 Audit & Governance Committee meeting.
Value for Money	<ul style="list-style-type: none"> Risks of significant weakness identified in planning work Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses. 	Draft Audit planning report presented at the March 2023 Audit & Governance Committee meeting Draft Audit results report to be presented at the May 2023 Audit & Governance Committee meeting. Auditor's Annual Report to be presented at the September 2023 Audit & Governance Committee meeting,

Additional audit information

Objective of our audit

Our objective is to form an opinion on the Council's financial statements under International Standards on Auditing (UK) as prepared by you in accordance with with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit and Governance Committee. The audit does not relieve management or the Audit and Governance Committee of their responsibilities.

Other required procedures during the course of the audit

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

Our responsibilities required by auditing standards

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

Additional audit information (continued)

Other required procedures during the course of the audit (continued)

Procedures required by the Audit Code	<ul style="list-style-type: none">▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.▶ Examining and reporting on the consistency of consolidation schedules or returns with the Council's audited financial statements for the relevant reporting period.
Other procedures	<ul style="list-style-type: none">▶ We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

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

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

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

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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AUDIT & GOVERNANCE COMMITTEE

15 March 2023

Report of the Audit Working Group 8 February 2023

Report by Lorna Baxter, Director of Finance

RECOMMENDATION

1. The Committee is RECOMMENDED to note the report.

Executive Summary

2. The Audit Working Group (AWG) met on 8 February 2023. The group were updated on the progress of implementation of actions from the previous internal audit of GDPR (General Data Protection Regulation) 2021/22. The group received a further briefing in respect of the investigation into financial approvals in relation to the Oxford North capital scheme.

Introduction

3. Attendance:
Full Meeting: Chairman Dr Geoff Jones. Councillors: Roz Smith, Brad Baines, Judy Roberts, Yvonne Constance OBE

Officers: Full meeting: Jonathan Deacon, Committee Officer, Sarah Cox, Chief Internal Auditor, Ian Dyson, Assistant Director of Finance, Anita Bradley, Director of Law and Governance, Paul Grant, Head of Legal, Simon Harper, Head of Governance.

Officers: Part meeting: Iain Wilson, Interim Information and Data Manager, Bill Cotton, Corporate Director.

Matters to Report:

Internal Audit of GDPR 2021/22 – implementation of the action plan.

4. Officers had previously attended the AWG June 2022 meeting to provide an update on the implementation of the agreed actions from the audit of GDPR 2021/22. The group had noted the wider work being undertaken by the team to support the findings of the audit and address the risks identified and had asked officers to return in February 2023 to confirm the implementation of the remaining actions.

5. Officers attended and provided a full update, which confirmed that of the 12 management actions agreed within the report, that 7 had been fully implemented. A further 6 supplementary actions agreed within the report have also been implemented in full. The remaining 5 open actions relating to Data retention, Information Governance Group membership, Data Protection training, Consent and Data Protection Impact Assessments are currently in the progress of being implemented and have revised dates for completion. The group acknowledged the progress made since the last update and the revised timescales. The group were satisfied that the outstanding actions were now being addressed as a matter of priority.

Investigation into Oxford North Capital Scheme financial approvals

9. The Director of Finance previously (December 2022 AWG meeting) presented a paper to the group reporting on the outcomes of an investigation into the financial approvals in relation to the Oxford North capital scheme. This was reported back to the January 2023 Audit & Governance Committee.
10. The group requested that Bill Cotton, Corporate Director, attended the February 2023 meeting to provide further assurance regarding the implementation of the improvement actions identified from the investigation.
11. The group were updated that key improvements have already been implemented since the completion of the investigation, which has included ensuring that all new staff / including agency staff are properly inducted, including guidance on programme and project management policies and processes, there is now a dedicated Finance Business Partner allocated to capital, there is a daily reconciliation between the budgets recorded on the SharePoint system (system which manages the projects) and the approved budgets on the Accounting System. Decisions from the individual capital governance boards are reported to the Strategic Capital Board.
12. The group were satisfied with the progress in implementation of the improvement actions identified from the investigation.

Financial Implications

13. There are no direct financial implications arising from this report.

Comments checked by: Lorna Baxter, Director of Finance
lorna.baxter@oxfordshire.gov.uk

Legal Implications

14. There are no direct legal implications arising from this report.

Comments checked by: Paul Grant, Head of Legal
paul.grant@oxfordshire.gov.uk

Lorna Baxter
Director of Finance

Annex:	None
Background papers:	None

Contact Officer:	Sarah Cox, Chief Internal Auditor. Email: sarah.cox@oxfordshire.gov.uk
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February 2023

Next AWG meeting: 5 April 2023

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AUDIT & GOVERNANCE COMMITTEE

15 March 2023

COUNTER FRAUD UPDATE

Report by Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to**
 - a) Note the summary of activity against the Counter Fraud Plan for 2022/23.

Executive Summary

2. This report presents a summary of activity against the Counter Fraud Plan for 2022/23, presented to the July 2022 Audit & Governance Committee meeting. The Counter Fraud plan supports the Council's Anti-Fraud and Corruption Strategy by ensuring that the Council has proportionate and effective resources and controls in place to prevent and detect fraud as well as investigate those matters that do arise.

Counter-Fraud Team Update

Counter-Fraud Service & Resources Update

3. As reported to the November 2022 meeting, there has been a change to resourcing and the team structure following the Audit Manager Counter Fraud Lead leaving. An interim structure for the Counter Fraud team has been implemented from August 2022 with the two existing Counter Fraud Officers given additional responsibilities whereby they are acting up as Senior Counter Fraud Officers. A permanent arrangement is currently under review. We are continuing to support the two Counter Fraud Team apprentices with their training (Data and Intelligence Apprentice and Counter Fraud Assistant)
4. As noted in previous updates, the Counter Fraud Team now receive, log and triage all whistleblowing reports. The Chief Internal Auditor and Senior Counter Fraud Officer meet with the Director of Law & Governance monthly to review, discuss and progress all whistleblowing investigations.

5. **Key Performance Indicators & Trends 2022/23 (position at 24/2/22):**

Indicator	Value
New Cases 2022/23 (01.04.2022 – 01.11.2022)	27 cases
Current open cases (by year)	2022/23: 10 2021/22: 1 2020/21: 5 2019/20: 1 3 cases under joint investigation with the police
With the Police	
YTD New Cases by type	Blue Badge Misuse: 4 Contractor: 3 Direct Payment: 3 Employee: 6 Financial Abuse: 3 Insurance: 1 Whistleblowing: 7
YTD New Cases by referral source	Email (member of public): 2 Employee / Internal Control: 19 Whistleblower: 4 DWP: 1 Web form (member of public): 1
Loss, recovery and prevented future loss YTD	Recovery: £3,387
Outcomes YTD (dismissals, prosecutions, repayments, Investigation Reports etc)	Blue Badge Seized: 2 Blue Badge Warning Letter Issued: 1 Not proven: 5 Disciplinary: 2 Referred to Internal Team / Central Government Department: 6 Referred for External Review: 1
Fraud Awareness, Comms and Training sessions delivered YTD	Fraud Awareness training and discussion sessions with: Financial Assessments Team & the Social Care Debt Recovery Team (April 2022) Direct Payments Team (June 2022) Social Worker Direct Payments Training (February 2023) News Headline on World Whistleblowing Day (June 2022) Multiple internal communications planned for International Fraud Awareness Week 2022 (14-18 th November)

6. Update against the Counter-Fraud Plan 2022/23

Objective	Actions	Update Nov 2022
Strategic: Continue to build the Counter Fraud team to support the Council to prevent and detect fraud and irregularity. Culture Capacity Competence	1. Trial the interim team structure with a view to agreeing a permanent solution 2. Recruit a new Counter Fraud Apprentice 3. Identify any appropriate training for members of the team. 4. Senior CF Officer to undertake CIPFA Accredited Counter Fraud Specialist (ACFS) training.	Interim team structure trial in place until end of April 2023. New Counter Fraud Apprentice started 17 October 2022 and has commenced the formal apprenticeship training. Training subject to review through extended 1:1 sessions with team. Senior CF Officer has completed and passed the ACFS training.
Proactive: Undertake proactive counter-fraud activities to reduce the risk of fraud in the Council. Culture Capability Capacity Communication Collaboration	5. Complete and routinely update the Fraud Risk Register 6. Deliver fraud awareness training 7. Undertake joint fraud/audit exercises 8. Deliver fraud communications in line with a comms strategy 9. Blue Badge enforcement exercises quarterly 10. Maintain fraud procedures, webpages and referral routes up to date (ongoing and by Q4)	5. Fraud Risk Register now business as usual (bi-monthly review meetings) 6. Fraud awareness training delivered for Financial Assessments Team, Direct Payments Team and to Social Workers (Direct Payments). 7. Joint fraud/audit proactive exercises being developed. Currently working together re schools assurance. 8. Multiple fraud comms issued as per the comms plan (see KPI's above) 9. Blue Badge enforcement exercise now undertaken quarterly 10. Work currently being completed to update fraud referral routes, specifically in relation to Direct Payments and Deprivation of Assets cases.
Reactive: Manage fraud	11. Manage fraud referrals 12. Investigate	11&12. Fraud referrals received and investigated

referrals and investigations Capacity Competence Collaboration	13. Implement appropriate sanctions 14. Agree and track actions to improve the control environment 15. Work with partner agencies and teams.	ongoing as appropriate. Currently 12 open cases. 13. Sanctions applied as appropriate (see KPI's above). 14. Actions within investigation reports monitored for implementation. 15. Joint working with TVP in particular is developing well, with several joint investigations ongoing (joint interviews under caution and investigations plans).
Data: Use data to detect and prevent fraud Competence Collaboration	16. Prepare for and undertake the 2022 NFI data upload (Q2) 17. Continue to participate into potential data matching exercise with other LA's.	16. NFI matches for 22/23 have been uploaded and match data now received. Programme of work in place to review matches. 17. Ongoing work with networks.

7. Cases to Note (open/closed)

There are currently 3 cases under joint investigation with the Police (2 employee and 1 provider). These cases are progressing jointly and further updates will be provided to the Committee once a charging decision has been made.

8. Other updates

Blue Badge:

The Counter Fraud team have now undertaken the third on-street Blue Badge Enforcement exercise. This was again undertaken as a joint enforcement exercise with our external parking enforcement provider, Conduent. This exercise resulted in the issuing of 8 penalty charge notices (PCN's) for parking in a disabled bay without displaying a valid blue badge and one warning letter for misuse of a blue badge.

Blue badge holders are now able to register their badge against a maximum of two vehicle registration numbers, which will allow those vehicles to enter the Zero Emission Zone (ZEZ) without penalty. The vehicles will be exempted from charges upon entering the ZEZ for a period of 12 months. The blue badge holder is still expected to travel with the vehicle in order for the exemption to apply and therefore there is an inherent risk in the vehicles being registered but the badge holder not being present on the exempted journey. For the next on-street exercise, the Counter Fraud Team will be provided with a list of vehicles exempted from the ZEZ charge on the basis of a blue

badge, so routine checks can be carried out if the vehicle is identified. Work is also being undertaken with the customer services team that register the vehicles to ensure that the controls built into the application process are robust, in order to ensure that the risk of fraud at the application stage is minimised.

NFI:

The match data for the 2022/23 National Fraud Initiative (NFI) exercise has now been received. A programme of work is now in place to review matches and undertake any necessary investigations. Results will be reported back to the Audit & Governance Committee in July 2023.

Training and awareness:

Staff training and awareness sessions has included schools, (Head Teachers, Governors and Business Managers forums), Finance staff, Financial Assessment and Social Care Debt Recovery team & Direct Payments teams. There is an ongoing programme of training and awareness sessions.

Financial Implications

9. There are no direct financial implications arising from this report. The report presents amounts recovered and prevented future losses from individual investigations.

Comments checked by:

Lorna Baxter, Director of Finance, lorna.baxter@oxfordshire.gov.uk

Legal Implications

10. There are no direct legal implications arising from this report. The Director of Law and Governance and also the Head of Legal are involved in all Whistleblowing referrals and fraud referral cases that proceed to investigation stages.

Comments checked by:

Paul Grant, Head of Legal, paul.grant@oxfordshire.gov.uk

Staff Implications

11. There are no direct staff implications arising from this report.

Equality & Inclusion Implications

12. There are no direct equality and inclusion implications arising from this report.

Sustainability Implications

13. There are no direct sustainability implications arising from this report.

Risk Management

14. There are no direct risk management implications arising from this report.

Lorna Baxter, Director of Finance

Annex: Nil

Background papers: Nil

Contact Officers: Sarah Cox, Chief Internal Auditor
sarah.cox@oxfordshire.gov.uk

March 2023

AUDIT AND GOVERNANCE COMMITTEE – 15 March 2023

RENEWAL OF THE APPOINTMENT OF INDEPENDENT PERSONS

REPORT BY THE DIRECTOR OF LAW & GOVERNANCE AND MONITORING OFFICER

RECOMMENDATION

1. **The Committee is RECOMMENDED to receive notice of the extension of the appointment of Mr Martyn Hocking and Mr Nicholas Holt-Kentwell to the role of Independent Persons for Oxfordshire County Council for a second term of two years from 14 July 2022 to 13 July 2024.**

EXECUTIVE SUMMARY

- 2 The County Council must appoint one or more Independent Persons whose views are to be sought, and considered, by the authority before it makes its decision on an allegation that a councillor has breached the Members' Code of Conduct.
- 3 Independent Persons perform a key role in the Council's procedures for investigating any such complaints.
- 4 Council approved the appointment of Mr Hocking and Mr Holt-Kentwell on 14 July 2020 for two years, renewable once. In accordance with the terms of reference of the Committee to promote high standards of conduct by Councillors and Co-opted Members the Committee is recommended to consider this matter. This report recommends that the Committee notes the renewal of a second two-year term to 13 July 2024 in accordance with the decision made by Full Council on 14 July 2020.
- 5 The Localism Act 2011 requires that, prior to the appointment of any Independent Person, the position must have been advertised publicly and applications should have been received from them. Both Mr Hocking and Mr Holt-Kentwell were interviewed by the former Monitoring Officer and Principal Governance Officer at that time. Both candidates demonstrated at that time and remain committed to high standards of public service and therefore all the legal requirements of their appointment were met in 2020. Both Mr Hocking and Mr Holt-Kentwell have agreed to continue as Independent Persons until 13 July 2024.
- 6 An Independent Person appointed by the Council performs two important roles, under law.
- 7 To promote high standards of conduct by Councillors and Co-Opted Members.

Members' Code of Conduct & Councillor Complaints Procedure

- 8 The Council must seek the views of its Independent Persons before deciding any allegation investigated under the Member Code of Conduct.

9. The Independent Person may be consulted by:
 - a) The Council – normally through its Monitoring Officer – as part of the established complaints procedures for elected and co-opted members
 - b) The member or co-opted member who is the subject of an allegation.

Senior Officer – Dismissal Procedures

10. The Independent Persons play a key role in the statutory processes for the dismissal of the three key statutory officers, (Head of Paid Service, Monitoring Officer and Chief Finance Officer). It is for Full Council to decide on any such dismissal. Before doing so, it needs to consult a Panel of at least two Independent Persons. There is an expectation that such Independent Persons will, if possible, be those appointed by the Council.
11. The role of the Independent Person in this context is advisory: the Panel will be responsible for giving Full Council any advice, views or recommendations as regards a proposed dismissal.

Recruitment and appointment

12. Committee is being recommended to note the renewal of the appointment of Mr Martyn Hocking and Mr Nicholas Holt-Kentwell for a second term of two years.
13. Mr Hocking and Mr Holt-Kentwell both have experience as magistrates. Mr Hocking also has extensive service as an independent person on appeals panels for school admissions and home to school transport. Both demonstrate, and are committed to, high standards of conduct in public service. They are both experienced, impartial, and evidence-based decision makers.
14. The Monitoring Officer is satisfied that Mr Hocking and Mr Holt-Kentwell are appropriate persons to continue in this role.

FINANCIAL IMPLICATIONS

15. The roles are voluntary and are not remunerated other than through a nominal £500 per annum allowance, if claimed. (The law is clear that any such allowance does not negate independence).

Comments checked by:

Lorna Baxter, Director of Finance
lorna.baxter@oxfordshire.gov.uk

LEGAL, EQUALITY & INCLUSION IMPLICATIONS

16. The Council is required under the Localism Act 2011 to appoint Independent Persons to fulfil key aspects of the Council's governance as outlined in this report. As such, it is very important that the Council appoints more than one person so that the Council has access to more than one independent perspective. This also ensures continuity of procedure - should one Independent Person not be available.
17. The legal requirements for publicity and recruitment were followed prior to Full Council's agreement to the appointment of Mr Hocking and Mr Holt-Kentwell.

18. It was agreed at Full Council previously that the appointments be made for an initial period of two years, renewable once.

Comments checked by:

Anita Bradley, Director of Law & Governance, and Monitoring Officer
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Paul Grant, Head of Legal, and Deputy Monitoring Officer
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ANITA BRADLEY

Director of Law and Governance & Monitoring Officer

Background papers: Nil

Contact Officers: Simon Harper, Head of Governance
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