



## **Oxford City Council**

**Auditor's Annual Report  
Year ended 31 March 2021**

06 June 2022



**EY**

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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.psa.co.uk/audit-quality/statement-of-responsibilities/>). 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 April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit & Governance Committee and management of Oxford City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit & Governance Committee and management of Oxford City 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 & Governance Committee and management of Oxford City 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.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Section 1

# Executive Summary



## Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
<b>Opinion on the Council's</b>	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our auditor's report on 20 May 2022.
Going concern	We have concluded that the Head of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the Narrative Statement and other information published with the financial statements	Financial information in the Narrative Statement and published with the financial statements was consistent with the audited accounts.

Area of work	Conclusion
<b>Reports by exception:</b>	
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 4.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

# Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued an Audit Results Report dated 11 April 2022 to the Audit & Governance Committee.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have not yet issued our certificate for 2020/21 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. The guidance for 2020/21 is delayed.

## Fees

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to the valuation of property, plant and equipment, Group consolidation as well as significant additional work to address errors which resulted in a re-assessment of our materiality. As a result we will calculate and discuss a final fee with the Chief Finance Officer and notify the Audit & Governance Committee once it has been reviewed by PSAA Ltd and finalised.

We would like to take this opportunity to thank the Council staff for their assistance during the course of our work.

Maria Grindley

Engagement Partner  
For and on behalf of Ernst & Young LLP



Section 2

## Purpose and responsibilities



# Purpose and responsibilities

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This report summarises our audit work on the 2020/21 financial statements.

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## **Purpose**

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements. The report aims to draw to the attention of the Council or the wider public relevant issues and recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

## **Responsibilities of the appointed auditor**

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued on 13 April 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

## **Responsibilities of the Council**

The Council is responsible for preparing and publishing its financial statements, Narrative Statement and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

# Financial Statement Audit





# Financial Statement Audit

## Key issues

We have issued an unqualified audit opinion on the Council's 2020/21 financial statements.

The Annual Report and Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 20 May 2022, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 11 April Audit & Governance Committee meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
<p><b>Misstatements due to fraud or error - management override of controls</b></p> <p>An ever present risk that management is in a unique position to commit fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>We obtained a full list of the journals posted to the Council's general ledger during the year and analysed these journals using criteria we set to identify unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation.</p> <p>We tested the accounting estimates most susceptible to bias, being mainly the valuation of land and buildings.</p> <p>We did not identify any material weaknesses in controls or evidence of material management override.</p> <p>We did not identify any instances of inappropriate judgements being applied.</p> <p>We did not identify any transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>
<p><b>Inappropriate capitalisation of expenditure</b></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. We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund.</p>	<p>We did not identify any issues with management's accounting policies or practices in relation to opting to finance expenditure from capital sources.</p> <p>We focused our testing on property, plant and equipment capital additions and also Revenue Expenditure Financed from Capital Under Statute (REFCUS) capital additions.</p> <p>Our testing of capital additions did not identify any instances where expenditure had been inappropriately capitalised.</p>

## Financial Statement Audit (continued)

Significant Risk	Conclusion
<p><b>Valuation of land and buildings</b></p> <p>Land and buildings is the most significant balance in the Council's balance sheet. The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>considered the competence, capability and objectivity of the Council's valuers;</li> <li>considered the scope of the valuers' work;</li> <li>ensured Land &amp; assets have been revalued within a 5 year rolling programme as required by the Code;</li> <li>ensured Investment Property assets had been annually revalued as required by the Code;</li> <li>considered if there were any specific changes to assets that should have been communicated to the valuer(s);</li> <li>ensured that it was appropriate that no disclosure needed to be made in the accounts in relation to any valuation uncertainty;</li> </ul> <p>We noted no issues from the above procedures.</p>

In addition to the significant risks above, we also concluded on the following areas of audit focus.

Other area of audit focus	Conclusion
<p><b>Going concern disclosures</b></p> <p>The Council is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the Council's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period.</p>	<p>We challenged the adequacy of the Council's going concern assessment and its disclosure in the financial statements by:</p> <ul style="list-style-type: none"> <li>Evaluating supporting evidence for indications of bias</li> <li>Reviewing the cashflow forecast; and</li> <li>Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, before drawing our conclusions on going concern.</li> </ul> <p>We were satisfied with the adequacy and sufficiency of the final amended disclosures in relation to going concern.</p>

Continued over.

## Financial Statement Audit (continued)

Significant Risk	Conclusion
<p><b>Pension Liability valuation</b></p> <p>The Pension Fund liability is a material balance in the Balance Sheet. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>Our testing for the defined pension liability is complete. Due to the impact of revised ISA 540 on accounting estimates we needed to involve our internal EY Pensions Specialists. Following their review they concluded that the Pensions Liability was within an acceptable range based on their independent assessment. They concluded that the liability was within a range of &lt; 1.5%. We had no material findings to report. We received the IAS19 assurance letter from the auditor of the Oxfordshire Pension Fund . We assessed the findings in the assurance letter for any associated impact on Oxford City Council and noted that there was no material impact.</p>
<p><b>Group Structure</b></p> <p>The Council has a growing number of companies within the group structure five of which are wholly owned by the Council and two where the company is jointly owned. With this growth comes additional complexity and risk arising from the need to understand and implement the accounting and reporting requirements for these operations.</p> <p>One of these components, Oxford Direct Services Ltd (ODS), will be a significant component to the group based on size. Two of the entities are specific scope with material balances specific to one or 2 accounts: Oxford City Housing Limited and Oxford West End Development (OxWED).</p>	<p>We have completed the procedures below:</p> <ul style="list-style-type: none"><li>• Reviewing the Council's approach to consolidation and production of group accounts to ensure that this meets the requirements of the Code of Audit Practice;</li><li>• Liaised with the external auditor of ODS and OCHL, Mazars, asking them to undertake a programme of work in line with Group audits. We completed a review of their audit files. We reviewed the deliverables requested from Mazar with no material issues noted.</li><li>• Liaised with the external auditor of OxWED, Wenn Townsend, asking them to undertake a programme of work in line with Group audits. We completed our review with no issues noted.</li></ul> <p>We noted no material issues with consolidation</p>

Continued over.

## Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p><b>Accounting for Covid-19 related grant funding</b></p> <p>The Council received government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in 2020/21.</p>	<p>We considered the Council's judgement on material grants received in relation to whether it is acting as:</p> <ul style="list-style-type: none"><li>• An Agent, where it has determined that it is acting as an intermediary; or</li><li>• A Principal, where the Council has determined that it is acting on its own behalf.</li></ul> <p>We identified material errors in the assessment of Agent and Principal. As a result we needed to re-assess materiality and complete significant additional testing across all significant accounts. The Council have introduced a new process for assessing such grants in future.</p>

Continued over.



## Financial Statement Audit (continued)

### Audit differences

We identified a small number of misstatements in disclosures which management corrected.

We also noted a large mis-statement of £42m in the treatment of Grants which the Council corrected.

### Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
<b>Planning materiality</b>	We determined planning materiality to be £4.2 m and £4.6 m for the Council and Group as 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council and Group.
<b>Reporting threshold</b>	We agreed with the Audit & Governance Committee that we would report to the Committee all audit differences in excess of £0.2m.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ **Cash/bank balance:** We audited all disclosures and undertook procedures to confirm material completeness
- ▶ **Related party transactions.** We audited all disclosures and undertook procedures to confirm material completeness

Section 4

## Value for Money



# Value for Money (VFM)

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We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

## Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our VFM risk assessment to the April 2022 Audit & Governance Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council and committee reports, meetings with the Head of Financial Services and evaluation of associated documentation through our regular engagement with management and the finance team. We reported that we had not identified any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

## Reporting

We completed our planned VFM arrangements work in March and April 2022 and did not identify any significant weaknesses in the Council's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements. As a result, we do not have any matters to report by exception in the audit certificate.

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We had no matters to report by exception in the audit report.

## VFM Commentary

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified 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.

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Our VFM commentary highlights relevant issues for the Council and the wider public.

## Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

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The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

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For 2020/21, the significant impact that the Covid-19 pandemic has had on the Council has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

## Financial sustainability

### ***How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them***

*2020/21 has clearly been an extraordinary year for the Council and its subsidiaries, with the Covid-19 pandemic providing a number of financial challenges during 2020/21 but also having a significant impact upon the review and development of the Medium-Term Financial Strategy (MTFP) for 2021/22 and beyond.*

*Regarding financial planning, the Council works to refine budgets and the MTFP to respond to cost pressures as they emerge, and recognises that effective financial planning remains difficult due to continuing uncertainties in the funding that will be made available to councils. The Council reviews its budgetary position annually and produces a rolling four-year plan, known as the Medium-Term Financial Strategy (MTFP). This plan considers the financial climate at both the local and national level together with available resources and budgetary pressures in arriving at a financial strategy. The MTFP is also regularly refreshed to ensure that the forecast position of the Council's wholly owned companies or jointly controlled operations is accurately reflected in forward projection.*



## Financial sustainability (cont'd)

### ***How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them***

*The budget for 2020/21 was approved by the Council in February 2020 and the council tax requirement (which is the net budget met by council tax) for 2020/21 was set at £14.7 m.*

*During 2020/21 there have been a number of changes to the original approved budget and financial strategy, reflecting Cabinet decisions and the application of several emergency funding streams made available by the Government in response to the coronavirus pandemic.*

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### *Medium Term Financial Plan (MTFP):*

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

*The Council produces an MTFP every year for the following four years on a rolling basis. The strategy that the Council follows involves planning ahead of time, releasing resources in advance of need and using those resources to help fund transformational change. The MTFP produced during the pandemic is based on 6 over-arching principles which support the wider objectives of the Council both in the short and longer term. These include:*

- *Supporting the local economy and jobs, and helping to secure long term investment to support sustainable and inclusive growth;*
- *Measures to support the re-opening of the city and local centres to enable social distancing, with longer terms improvement to public realm and transport to support increased walking and cycling;*
- *Tackling increased hardship and homelessness anticipated as a result of the economic impacts, and supporting vulnerable people from Covid over the longer term;*
- *Delivering services differently through embedding new ways of working particularly across locality areas, while undertaking fundamental reviews of leisure, cultural and community services. Planning for potential further COVID outbreaks. Updated corporate business plan and budget planned for the autumn;*
- *Continue to support remote and flexible working by staff, and review how we work and where people will be based longer term;*
- *Continue to work with partners in public health, health and social care to promote and protect the health and wellbeing of the population.*

## Financial sustainability (cont'd)

### ***How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them***

*The MTFP is regenerated every year with the most recent MTFP being reported to Cabinet in February 2022, and this set out the medium term prospects for the Council's finances to 2024/25.*

#### *Annual Budget Setting Process:*

*A budget is prepared and approved annually, ahead of the financial year. The draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds. The budget will be approved by the Council and proposed by the Cabinet on the advice of the Chief Financial Officer.*

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The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

*The Cabinet is responsible for issuing annual guidelines on the revenue budget and capital programme, in consultation with the Chief Financial Officer, ahead of the preparation of the revenue budget and capital programme.*

*The Chief Financial Officer is responsible for ensuring that a revenue budget and capital programme is prepared on an annual basis. The Council may amend the budget and capital programme or ask the Cabinet to reconsider it before approving it.*

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*We note that the Council has a good record of delivering against its financial strategies and budgets by containing expenditure within budgets and achieving early savings. The success of the strategies indicates that the Council are focused on identifying any potential risks and implementing a strategy to work against these risks in order for them not to be a financial burden in the future. The Council is considered to have adequate General Fund and Earmarked Reserves. The Chief Finance Officer confirmed the adequacy of reserves in his Section 25 report issued in February 2021. Covid-19 has put significant pressure on these reserves however due to the Council's prudent management of finances in prior periods the size of the available reserves has mitigated any potential detrimental impact on wider service provision.*

## **Financial sustainability (cont'd)**

### ***How the body plans to bridge its funding gaps and identifies achievable savings***

*The saving targets and other headline issues are agreed as part of the MTFP. The Council will also budget for contingencies to mitigate non-delivery of savings. This is completed using a risk-based approach. Savings targets for the Council are then allocated to individual Directorates and are monitored and reported regularly as part of ongoing internal reporting. We know for example that during 2020/21 some of the Directorates were more significantly impacted by Covid-19 than others. For example, the Corporate Property Directorate, showed an adverse variance of £3.3 m in 2020/21 mainly driven by the impact of commercial property income from the Covered Market and the establishment of a specific bad debt provision to support local tenants. Budget virements may also occur in-year depending on circumstances and where this occurs this would also be reported.*

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The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

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*A key component of the Council's forward planning as part of the annual refresh of the MTFP is the forward projection of Usable Reserves. As at 31 March 2021 the Council held the following Usable Reserves: General Fund Balances of £3.6 m (as determined by the S151) and Earmarked Reserves of £68 m. The Council's MTFP agreed at Council in February 2021 estimated that during the next 4- year cycle that £11.3 m of Earmarked Reserves would be required to enable the Council to set a balanced budget across the MTFP (2020/21 to 2024/45).*

### ***How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities***

*The Council's saving plans and initiatives focus around the four strategic aims, which bring together a number of their priorities forming an overarching framework for their services. Strategic plans are framed within the wider strategic policies such as Oxford 2050 and also the emerging Oxford Plan 2036. The Council recognises that its ability to continue to deliver front line services will depend on its capacity to generate new funding streams, streamline the way that residents access services and support and encourage self-sufficiency, whilst protecting the most vulnerable. Their focus is on targeting resources at the most vulnerable people while becoming more efficient in the delivery of its services.*

## Financial sustainability (cont'd)

### **How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities**

*The Council's saving plans and initiatives focus around the four strategic aims, which bring together a number of their priorities forming an overarching framework for their services. Strategic plans are framed within the wider strategic policies such as Oxford 2050 and also the emerging Oxford Plan 2036. The Council recognises that its ability to continue to deliver front line services will depend on its capacity to generate new funding streams, streamline the way that residents access services and support and encourage self-sufficiency, whilst protecting the most vulnerable. Their focus is on targeting resources at the most vulnerable people while becoming more efficient in the delivery of its services.*

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The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

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*The Council's strategic plan is intended to guide decision making to ensure that money is targeted where it is needed most and where it can make the greatest difference. The Strategic Plan set out 4 key strategic aims:*

- **Foster an Inclusive Economy:** *wealth is distributed across communities and where all residents can share the benefits of growth;*
- **Deliver More Affordable Housing:** *to address Oxford's housing crisis where existing homes are unaffordable for many and demand for good quality homes outstrip what is available;*
- **Supporting Flourishing Communities:** *to help ensure everyone is able to play a full part in the life of the city;*
- **Pursue a Zero Carbon Oxford:** *acting from the clear message from Oxford's Citizens' Assembly on Climate Change to continue to take a lead in reducing emissions and increasing biodiversity*

*The MTFP enables the Council to consider the financial climate at both the local and national level together with available resources and budgetary pressures in order to arrive at a financial strategy. Throughout these processes, each service line is considered individually in order to ascertain whether savings can be made in each of these areas and the potential impact these savings may have.*



## Financial sustainability (continued)

***How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system***

*Throughout the financial planning i.e. annual budget and MTFP processes, consideration of other plans such as capital and treasury management also take place. The Capital and Treasury Management strategy also forms part of the annual budget setting process with the strategy being taken to Cabinet for approval at the same time as the revenue budget.*

*The Capital and Treasury Management gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.*

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The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

*All of the Council's financial strategies and planning interlink and are presented in a way that informs clear and effective decision making.*

***How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.***

*Throughout the preparation of the budget and MTFP, risks are taken into consideration in order to see how they impact certain areas and what the financial implications of these risks might be. Reserves are used not only to help implement the MTFP but also to provide mitigation against financial risks and wider flexibility in dealing with unplanned changes.*

*The Council has an effective corporate risk management framework in place to identify, mitigate and monitor the risks to the Council in delivering strategic and service organisations. This includes both financial and non-financial risks. The risk register is reviewed throughout the year by the Cabinet, Executive Directors and the Audit & Governance Committee.*

## **Financial sustainability (continued)**

***How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.***

### *Budget Monitoring and Control:*

*The Chief Financial Officer is responsible for providing appropriate financial systems to enable budgets to be monitored effectively. The Chief Financial Officer must monitor expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis.*

*It is the responsibility of the respective Heads of Service to control income and expenditure on their budgets and to monitor performance taking account of financial information provided by the Chief Financial Officer.*

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The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

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*The largest risk affecting the Council throughout the year 2020/21 was the ongoing Covid-19 pandemic. The Council provided updates throughout 2020/21 as more information became available and funding support from central government became more certain.*

*In our review of the minutes throughout the period we can see that there has been a progress report in relation to the Council's response to the pandemic presented at regular intervals throughout 2020/21 and in subsequent years. These reports show the latest facts and figures in relation to Oxford city Council, including the financial impact, and we commented on the annual revenue budget above. In Capital Programme terms there has not been a significant impact arising from Covid-19. Some programmes of works were temporarily suspended but most of these re-started again soon after.*

*The Council has continued to demonstrate financial stewardship over this extremely challenging period. At the end of 2020/21 the Council was able to finance the £2m adverse variance on the General Fund through the use of a specific Covid Emergency Reserve. In addition, the Council also held as at 31 March 2021 the following Usable Reserves to support the forward financial planning of the Council: General Fund Reserves of £3.6 m and Earmarked Usable Reserves of £68 m.*

## **Governance**

### ***How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud***

*The Council has an effective corporate risk management framework embedded. The elements of the Council's risk management framework are to:*

- *Ensure that responsibilities for managing individual risks are clearly allocated;*
- *Align the risk management strategy and policies on internal control with achieving objectives; and*
- *Ensure an Audit & Governance Committee which is independent of the executive and accountable to the Council:*
  - *provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment*
  - *makes recommendations that are listened to and acted upon*

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The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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*The risk register is reviewed throughout the year by the Cabinet, Executive Directors and the Audit & Governance Committee.*

*Reports are received from the Internal Auditors and Counter-Fraud highlighting their work carried out including a breakdown of fraud investigations with any significant issues included in summary format. Cases of alleged or proven incidents of fraud are investigated or tracked by Internal Counter-Fraud and reported to the Audit & Governance Committee.*

*The Anti-Fraud and Corruption Strategy and related policies (including the Bribery Act Policy) are regularly reviewed and have been approved by the Audit & Governance Committee. The Council fully participate in the National Fraud Initiative with results notified to the Audit & Governance Committee through the Counter-Fraud team as part of annual reporting.*

*Financial regulations and procedures have been developed and are kept under review to ensure they provide an effective control framework. Compliance is monitored through appropriate review by service managers and finance staff together with independent review by Internal Audit.*

## **Governance (cont'd)**

### ***How the body approaches and carries out its annual budget setting process***

*The Annual Budget process including the responsibilities and procedures in the annual budget process is set out within the Constitution of the Council. The Financial Regulations state that the Chief Financial Officer is responsible on an annual basis for “submitting to Council a programme of capital expenditure and estimates of revenue and income expenditure for Council services for at least the proceeding four years’ (Constitution 18.7).*

#### *Budget Preparation:*

*The Cabinet is responsible for issuing annual guidelines on the revenue budget and capital programme, in consultation with the Chief Financial Officer, ahead of the preparation of the revenue budget and capital programme.*

*It is the responsibility of chief officers to ensure that revenue and capital budget estimates reflecting agreed service plans are prepared in consultation with the Chief Financial Officer and Executive Member and submitted to the Cabinet and that these estimates are prepared in line with the budget guidance issued by the Cabinet. In line with the financial regulations the Audit & Governance Committee will set the annual Council Tax Base supporting the budget for the subsequent year.*

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The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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## **Governance (continued)**

***How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.***

*Within the Constitution of the Council there are processes and procedures in place to ensure the Council has effective processes and systems in place to ensure budgetary control, to communicate relevant, accurate and timely management information; to support its statutory financial reporting requirements and to ensure the body is taking corrective action where needed.*

### *Budget Monitoring and Control:*

*The Chief Financial Officer is responsible for providing appropriate financial systems to enable budgets to be monitored effectively. The Chief Financial Officer must monitor expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis.*

*It is the responsibility of Chief Officers to control income and expenditure on their budgets and to monitor performance taking account of financial information provided by the Chief Financial Officer. They should report to the relevant Executive Member on variations and take any action necessary to avoid exceeding their budgets and alert the Chief Financial Officer to any problems. Any new proposal containing significant financial implications must take note of the Chief Financial Officer's advice as well as that of the relevant Chief Officer and Executive Member.*

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The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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## **Governance (continued)**

***How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.(cont'd)***

### **Full Council:**

*The Full Council is responsible for specified major decisions, such as setting and agreeing the budget, key strategy documents, the constitution and debates topical issues. It also receives reports from the Executive, and members are able to question the Executive on their areas of business. Members of the public can also ask questions. In May each year the Full Council meets to elect the Chairman and Vice-Chairman.*

### **Cabinet:**

*Oxfords City Council operates a Leader and Cabinet structure. The Council operates within a 'Strong Leader' Model. Oxford City Council's Cabinet is made up of the Leader 2 Deputy Leaders and executive members who each have a portfolio or policy of responsibilities.*

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The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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*The Cabinet make decisions together on strategic issues and individual executive members can take decisions on issues relating directly to their portfolio areas. The Cabinet monitor financial and non-financial performance against key corporate policies and targets. The Cabinet is a total of 10 elected members including the Leader of the Council.*

### **Select Committees:**

*The Scrutiny Select Committees hold the executive members to account on the decisions they make both collectively as Cabinet and individually. There are currently 4 standing Scrutiny Committees in place at the Council: Scrutiny, Companies Scrutiny Panel, Finance and Performance Panel and the Housing and Homelessness Panel. The Scrutiny Committees assist the Cabinet and executive members to make effective decisions by examining issues beforehand and making recommendations and providing a 'check and balance' mechanism. The Select Committees can also challenge decisions before they are implemented, review decisions after they have been implemented to see if they achieved what was intended and also suggest new policy areas or review the effectiveness of existing policies.*

## **Governance (continued)**

***How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.(cont'd)***

### **Audit & Governance Committee:**

*The purpose of the Audit & Governance Committee is to monitor, review and report on the governance arrangements of the Council. The Audit & Governance Committee is supported by the Internal Audit function. The Internal Audit function is provided by an external firm and has been in place for a number of years. At the start of each financial year the Audit & Governance Committee is asked to consider and approve the annual Internal Audit Plan. The Chief Financial Officer has overall responsibility for ensuring adherence to the Annual Internal Audit Plan. Reports are received from the internal auditors highlighting work carried out, these reports are presented at the quarterly Audit & Governance Committee meetings. The annual Head of Internal Audit Opinion supports the completion of the Council's Annual Governance Statement.*

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The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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*The Council also has an active counter-fraud function. This is provided by an in-house team who also provides services to a range of other bodies both locally and regionally. The counter-fraud team are set annual targets by the Chief Financial Officer and progress against these targets are regularly reported to the Audit & Governance Committee. In addition to fulfilling its internal function the counter-fraud team also host an annual counter-fraud conference which supports the wider counter-fraud initiative.*

*Our attendance at the quarterly Audit & Governance Committees indicates that reports brought to the attention of the Audit & Governance Committee are appropriately challenged and scrutinised.*

### **Monitoring Officer:**

*The Council also has a Monitoring Officer in place. The function and role of the Monitoring Officer includes ensuring lawful and fair decision making. The Monitoring Officer is appropriately qualified and experienced and provides support across the Council in matters of Law and Governance.*

## **Governance (continued)**

***How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).***

*In accordance with the Localism Act 2011 the Council has a Code of Conduct which sets out the behaviours expected from members, and arrangements in place to deal with any matters identifies of ethics, honesty and member conduct. This includes a formal member complaint procedure which is overseen by the Monitoring Officer. New members receive an induction session on the Code including how to declare interests in advance and at committee meetings.*

*We have identified there are various policies in place regarding the integrity, ethical values and behaviour of key executives.*

*A code of corporate governance is in place to ensure that the intended outcomes for stakeholders are defined and achieved. The Code of Corporate Governance is based on 5 key principles. These 5 principles are taken from best practice and incorporate the following:*

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The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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- *Community Focus;*
- *Risk Management and Internal Control;*
- *Service Delivery Arrangements;*
- *Standards and Conduct;*
- *Structures and Processes*

*To ensure effective leadership throughout the Council, members and officers work together to deliver agreed plans with defined functions and roles. These roles and responsibilities are set out in the Constitution and in particular looks at how decisions are made and how procedures are to be followed to ensure that actions are efficient, legal, transparent and accountable to the community. Many of these processes are required by statute and regulations by Governmental and other bodies (e.g. CIPFA) while the Council has determined others locally.*

### **Governance (continued)**

***How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests). (cont'd)***

*The Council has adopted a number of codes and protocols that govern the standards of behaviour expected of members and officers. These include codes of conduct for both officers and members and cover conflicts of interest and gifts and hospitality and appropriate policies for partnership working. The Council adopted the members code of conduct in July 2012 and it forms part of the Constitution (Section 22).*

*These codes of conduct are communicated as part of the induction process. All staff and members are provided with a copy of the respective codes of conduct when joining the Council and are required to read and comply with them. Ongoing awareness training is made available via the Council's intranet.*

*There are appropriate policies and procedures for ethical and behavioural standards, declaration of and protocol for conflicts of interest, and security practices that are adequately communicated throughout the organisation.*

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The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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## **Improving economy, efficiency and effectiveness**

***How financial and performance information has been used to assess performance to identify areas for improvement.***

***How the body evaluates the services it provides to assess performance and identify areas for improvement***

*The Council is currently operating under the “Council Strategy 2020-2024”. The Strategy details the Council’s high level aims and ambitions as it works towards delivering its long-term Oxford 2050 vision. Oxford 2050 is the Council’s blueprint for the future and is based across 5 key themes all of which emerged following extensive public consultation in 2018. Whilst acknowledging that there is a high degree of uncertainty the Council believes that the results of the consultation exercise give the Council a sound basis for pursuing and delivering on these 5 agreed themes:*

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- *Work and Learning;*
  - *People and Communities;*
  - *Built and Natural Environment;*
  - *Transport and Connectivity;*
  - *Culture and Leisure.*

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

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*Each year the Council produces a Business Plan which details the Council’s performance throughout the year, both financial and non-financial. The first Business Plan for 2020-21 was published in September 2020. This report provides strategic oversight of the Council’s performance in year against the Strategic Plan and sets out ways to refresh the Plan and update the Council Performance Management Framework.*

*The Council has a proactive Counter-Fraud team. The remit of the Counter-Fraud Team is to tackle fraud and irregularity across the Council as identified in the Council’s own Organisational Fraud Risk Assessment 2019. The team were responsible for achieving fraud prevention, detection and identification and reported values in excess of £9.4 m during 2020/21.*

*To report progress against “Council Strategy 2020-24”, departments are asked to rate performance against a core set of performance metrics on a quarterly basis. For each measure, a risk-based ‘red, amber, green’ rating is applied, informed by the most recent data and management information.*

*To facilitate continuous improvement in corporate performance during 2020/21 Internal Audit facilitated a workshop within the Council which identified: what a good KPI looks like; how to ensure KPIs are measurable; ensuring that KPIs align with the Business Strategy; and considering new KPIs.*



### **Improving economy, efficiency and effectiveness (cont'd)**

#### ***How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve***

*The Council has a number of collaborative working arrangements involving both joint ventures and also wholly owned companies. The Council operates within the Oxford Model which effectively states that the Council should be driving internal and external revenue recognition as a means of mitigating the reduction in funding from central government.*

*The Council is also actively engaged with key partners in public, health, charitable and social care to promote and protect the health of the local population. As a Council in a university city the Council also has a number of significant partnerships with some of the Oxford colleges.*

*The Council is also clear in its Strategic reporting which aspects of its priorities will be delivered by the Council and which will be dependent on partnerships.*

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The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

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*To ensure that the Council has effective involvement and oversight with key partners who are independent of the Council, representatives of the Council, usually elected Councillors, sit on the various committees and forums that are responsible for oversight of key partner organisations. Key Partnerships and Joint Committees with Council representation include for example: Fast Growth Cities; Future Oxfordshire Partnership; Health and Wellbeing Board; Thames Valley Police and Crime Panel; and the Oxfordshire LEP.*

*Risks, including risks arising from partnership arrangements, are managed at both a Corporate and at a Service Level through specific Risk Registers. The Corporate Risk Register is presented quarterly at the Audit & Governance Committee meeting. This identifies and highlights actions required to address specific risks, some of which may arise as a result of engagement with stakeholders and key partners.*

*If further investigation is required to understand where more fundamental improvements are required then the Council will also use Internal Audit resource to support and improve these areas. Recently the Council initiated an ad hoc review, for example, of the governance arrangements in effect within the Council's subsidiaries and this was openly and transparently reported to the Audit & Governance Committee.*

## **Improving economy, efficiency and effectiveness (cont'd)**

***How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve***

### ***Citizens Assembly***

*Oxford was the first local authority in the UK to establish a Citizens' Assembly. The Assembly is selected from across the local population in Oxford and was established with a clear focus specifically on climate change. In January 2019 Oxford City Council declared a climate emergency and the Citizens' Assembly is seen as a key means of shaping future direction and policy for Oxford. The Assembly was tasked with looking at a range of options on reducing carbon emissions to net zero with a view to shaping the Council's objectives of becoming carbon neutral at least by 2030.*

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The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

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## **Improving economy, efficiency and effectiveness (continued)**

*How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.*

*Standing Orders on Procurement and Contracts are set out within the Constitution. This includes the procedures and statutory requirements in terms of the procurement of services. The Council has also developed a Procurement Strategy which sets the framework in which Oxford City Council will work to ensure that procurement delivers value for money across all services and directly contributes to the achievement of their strategic goals.*

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The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

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Section 5

## Other reporting issues

## Other Reporting Issues

### **Governance Statement**

We are required to consider the completeness of disclosures in the Council's governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

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

### **Whole of Government Accounts**

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 20/21 is yet to be issued. We will liaise with the Council to complete this work as required.

### **Report in the Public Interest**

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### **Other powers and duties**

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014



## Other Reporting Issues (cont'd)

### **Control Themes and Observations**

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Audit & Governance Committee.

Appendix A

## Audit Fees



## Audit Fees

Our final fee for 2020/21 will differ from the planned audit fee reported in our Audit Plan presented at the April 2021 Audit & Governance Committee meeting due to extensive additional work required during the audit.

Description	Final Fee 2020/21 £	Planned Fee 2020/21 £	Final Fee 2019/20 £
<b>Total Audit Fee – Code work</b>	TBC	71,440	66,335
Additional Fee	TBC	TBC	23,500
Final Fee	TBC	TBC	99,885

For 2020/21 the scale fee has been re-assessed to take into account a number of risk factors which includes procedures performed to address the risk profile of the Council and additional work to address increase in Regulatory standards. We will also need to discuss with the Council the significant additional work needed to address the risks identified with the Accounting Treatment of Covid-19 Grants.

The additional final fee for 2020/21 will need to be discussed with management and remains subject to approval by PSAA Ltd. Once this has been finalised we will report the agreed fee to the Audit and Governance Committee.

We confirm we have not undertaken any non-audit work.

We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO.

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