



# Contents



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 July 2021)” 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 Oxfordshire County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to Audit & 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 Audit & 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.



# Introduction

## 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 value for money (VFM) arrangements, which aims to draw to the attention of the Council, or the wider public, relevant issues, 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 2021/22 audit work in accordance with the Audit Plan that we issued on 06 March 2023. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

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 annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



## Introduction (continued)

### 2021/22 Conclusions

Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor’s report on 25 January 2024.
Going concern	We have concluded that the Chief Financial Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
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 Appendix-A.
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.
Whole of government accounts (WGA)	We received the 2021/22 WGA Group Audit Instructions as issued by the National Audit Office (‘NAO’) and we confirmed that the Council is under the threshold of £2bn for full audit procedures (threshold is consistent with 2020/21). However, the increase in HM Treasury’s local government threshold means that there is a risk the NAO WGA team might require some assurances from auditors of bodies below the threshold. At the date of this report, we had not been informed that the NAO completed their sample for the 2021/22 WGA process, thus the audit completion certificate will not yet be issued for the 2021/22 until the NAO confirmation is received.
Certificate	We cannot issue our certificate at this stage but will be able to issue our certificate once the NAO have confirmed whether there are any additional group audit procedures required as part of the Whole of Government Accounts submission.

# Audit of the financial statements

## Key findings

The Narrative Statement 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 25 January 2024, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 29 November 2023 Audit & Governance Committee meeting and also provided a substantive verbal update at the latest meeting of the Audit & Governance Committee on 10 January 2024. 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. We reported 1 internal control recommendations and 1 area for improvement in the control environment in the Audit Results Report.

## Significant risk

Valuation of land and buildings and investment property

## Conclusion

We confirmed that the Authority's valuers are members of RICS and registered valuers. We reviewed the instructions provided to the valuer against the requirements of the Code and IFRS and found no issues. No matters were identified in respect of the objectivity, competence or independence of the valuers.

For a sample of assets we assessed whether the valuation basis was appropriate and whether the assumptions used were supportable and reperformed the valuers' calculations.

We challenged the information provided by the valuer as management's expert.

We also considered the potential impact of assets not revalued in year, and whether this could lead to a material misstatement of the closing asset valuation. No material issues were noted from this review.

We:

- considered the competence, capability and objectivity of the Council's valuers;
- considered the scope of the valuers' work;
- ensured Land & Buildings assets have been revalued within a 5 year rolling programme as required by the Code;
- ensured Investment Property assets had been annually revalued as required by the Code;
- considered if there were any specific changes to assets that should have been communicated to the valuer(s);
- ensured that it was appropriate that no disclosure needed to be made in the accounts in relation to any valuation uncertainty;

Our internal valuation specialists reviewed a sample of assets valued by the Council's external valuer. All assets sampled were within an acceptable range with the exception of one asset. This one asset, valued under a depreciation replacement cost (DRC) approach, was deemed to be outside of an acceptable range, due to a difference in professional judgment on the obsolescence factor used in the valuation. The difference was deemed to be below an accepted range. In addition, when extrapolated across assets of a similar nature the error was also within an accepted range.

The audit team also completed testing of a sample of assets. No material issues were noted from this review. The audit team assessed key assumptions and inputs and noted no material issues. The valuation of land and buildings was agreed to the valuers report with no material exceptions noted. Journal postings were also verified.



## Audit of the financial statements (continued)

Significant risk	Conclusion
Incorrect capitalisation of revenue expenditure	<p>Our testing is complete.</p> <p>We have not identified any issues with management's accounting policies or practices in relation to opting to finance expenditure from capital sources.</p> <p>Capital expenditure in relation to Investment is not material, therefore 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. However, we have identified some cut off issues between 2020/21 and 2021/22. These cut-off issues have been reported in the Audit Results Report as uncorrected non-material differences.</p>
Valuation of defined benefit pension scheme	<p>Our testing for the defined pension liability was completed satisfactorily.</p> <p>We received the IAS 19 Assurance Letter from the auditor of the Oxfordshire Pension Fund.</p> <p>We used our internal specialists to assess the acceptability of the Scheme's liability for disclosures as at 31 March 2022.</p> <p>These were independently assessed as being within an acceptable range of &lt;0.2%.</p> <p>We have reviewed the updated IAS 19 calculation as a results of the triennial valuation as at March 2022 and have concluded that this is not materially different from the original IAS 19 liability calculation used to produce the draft financial statements Therefore no update was required to the accounts in respect of IAS 19.</p>

<p>We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2021/22.</p>	<p><b>Scope</b></p> <p>We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the 29 November 2023 Audit &amp; Governance Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council committee reports, meetings with the Chief Financial Officer and evaluation of associated documentation through our regular engagement with Council management and the finance team</p> <p><b>Reporting</b></p> <p>We completed our risk assessment procedures in and did not identify any significant weaknesses in the Council's VFM arrangements. We have also not identified any significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.</p>		
<p>Our VFM commentary highlights relevant issues for the Council and the wider public.</p>	<p>Our commentary for 2021/22 is set out over pages 09 to 27. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Annual Auditors Report and have been updated for 2021/22.</p> <p>In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:</p>		
<p>We have no matters to report by exception in the audit report</p>	<p><b>Reporting criteria</b></p> <p>Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services</p> <hr/> <p>Governance: How the Council ensures that it makes informed decisions and properly manages its risks</p> <hr/> <p>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</p>	<p><b>Risks of significant weaknesses in arrangements identified?</b></p> <p>No significant risks identified</p> <hr/> <p>No significant risks identified</p> <hr/> <p>No significant risks identified</p>	<p><b>Actual significant weaknesses in arrangements identified?</b></p> <p>No significant weaknesses identified</p> <hr/> <p>No significant weaknesses identified</p> <hr/> <p>No significant weaknesses identified</p>

# Appendices



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## Appendix A – Summary of arrangements

### Financial Sustainability

#### Reporting Sub-Criteria

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

#### Findings

Regarding financial planning, the Council is working to refine budgets and the Medium Term Financial Strategy (MTFS) to respond to cost pressures as they emerge, and we recognise that effective financial planning remains difficult due to continuing uncertainties in the funding that will be made available to councils. There was a £3.0m underspend to the directorate budgets in 21/22, and a £1.6m underspend against budgets held centrally. As part of the budget setting process, a £5.6m contingency had been created to offset the risk of overspends occurring within demand led budgets. At year end, against the revised budget of £2.2m, £2.2m was unallocated.

The MTFP for financial year 21/22 was presented to cabinet in February 2021. Whilst the 2021/22 budget is balanced, there was a significant gap between estimated spend and funding streams for 2022/23. This was solely due to the uncertainty of funding under the new fair funding formula and as a result of the next spending review. There are risks in the budget largely in relation to the demand led budgets in children's social care, high needs and special educational needs home to school transport which are all under significant pressure in the current financial year. There is also a range of pressures and uncertainties in adult social care, particularly in relation to growing complexity of need and the potential consequences of pressures on the health system. To help mitigate these risks, a contingency budget of £5.6m was built into the budget in 2021/22, which will provide some degree of a safety net for the Council.

We have noted the latest performance report from January 2022, presented at Cabinet on 15th March. The 2021/22 budget includes planned directorate savings of £16.1m. £13.0m or 81% are expected to be delivered by year end and the remaining £3.1m or 19% are rated amber. £2.9m of this total relates to savings in Adult Social Care. This includes savings of £2.0m to be achieved through reducing demand pressures in the pools by 1% as well as savings anticipated to be achieved through reducing the use of residential beds. The process to maintain the savings related to the reduction in demand was on-going as at the end of January 2022 so this is continuing to be shown as amber. Savings related to reducing the use of residential beds are also rated amber.

The Council's MTFP for 22/23 allows for indicative budgets for 22/23 and the following three years until 2025/26 have allowed for best estimates of the total financial envelope over the medium term taking into account anticipated unavoidable pressures plus investments and the savings then required to match the funding available. The Council is notified of Central Government Funding via the Local Government Finance Settlement and these grants are reflected in the MTFP for 22/23. Beyond 22/23, there is no certainty of the funding in terms of local government finance and due to this several assumptions have to be made for the years succeeding 2022/23. Whilst the 2022/23 budget is balanced, there remains a gap between estimated spend and funding streams for 2022/23, this is in line with previous years and it largely due to the funding uncertainty which does not become clear until the Local Government Finance Settlement is released.

Based on the financial management update above, we believe that the Council manages significant financial pressures effectively.

## Appendix A – Summary of arrangements

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### Financial Sustainability

#### Reporting Sub-Criteria

#### Findings

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

The initial MTFS had significant gaps of up to £21m between the period 2022/23 to 2025/22 due to the uncertainty of funding pending the next spending review and business rates review. The shortfall will be reviewed once the outcomes of these are known. A follow up to this has been reviewed in February 2022 to address the new funding information, the budget shortfall has been reduced to £13.8m. In 20/21 a new reserve has been set up (the Covid-19 Reserve) to fund the budget shortfall and is made up of government grant, surplus on the CT Collection Fund position and allocation for Local Council Tax Support. At the end of 2020/21, the Council had incurred COVID-19 costs of £68.9m and is expected to incur costs of £49.7m during 2021/22. This leaves a balance of £23.4m for use in 2022/23 and beyond, held in the COVID-19 reserve. £20.2m of this funding is proposed to be used to meet short to medium term pressures from 2022/23 to 2025/26 leaving an uncommitted balance of £3.3m available for unplanned or unexpected costs.

#### Outlook on Savings Programme:

Tracking against savings targets is monitored as part of the performance reports that are presented at cabinet. The latest report presented in January 2022 shows how the Authority is tracking against the savings targets set out in the MTFP. “The 2021/22 budget includes planned directorate savings of £16.1m. £13.0m or 81% are expected to be delivered by year end and the remaining £3.1m or 19% are rated amber. £2.9m of this total relates to savings in Adult Social Care. This includes savings of £2.0m to be achieved through reducing demand pressures in the pools by 1% as well as savings anticipated to be achieved through reducing the use of residential beds. The process to maintain the savings related to the reduction in demand was on-going as at the end of January 2022 so this is continuing to be shown as amber. Savings related to reducing the use of residential beds are also rated amber. However, the forecast spend across the pools is expected to be managed within the funding available.”

## Appendix A – Summary of arrangements

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### Financial Sustainability

#### Reporting Sub-Criteria

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

#### Findings

We obtained correspondence from the Leader of the Council setting out the Council's lead role in the Oxfordshire health, public health and care system, the report largely relates to actions in respect of care homes for older people. The position statement sets out the Council's vision for 2019 onwards and set outs the current provisions of services and how these are expected to change in the future based on expected changes in demand. This shows that the Council is forward looking on what the future service delivery is likely to be required and enables these to be planned into future budgets. This is also evident from the Feb 2022 budget updates where funding shortfall has been partially addressed and the Council has identified savings to ensure financial planning is appropriate while also identifying an increase in demand-led services.

We also looked at Corporate Plan 2022-2025, this is the detailed report setting out its 'Strategic Plan 2022-25' plan it is in the process of implementing to improve the governance arrangements of the Council. The intention of the plan is to bring together the Council's policy, business and financial planning and risk management. It is hoped it will be the vehicle for the County Council's decision making and planning to improve the use of the resources available, understanding the value for money the Council delivers and focused on its priority outcomes. The plan was taken to Cabinet on the same date that the medium-term financial plan was presented, this ensures alignments between the Corporate plan and the annual budget setting process.

As well as holding a contingency budget, general balances are also held to ensure that a major incident or emergency can be managed without impacting on other services. In reaching the decision on the level of balances the S151 feels are appropriate to be held for 2022/23, they have considered the strategic, operational and financial risks facing the authority including the ability to deliver planned savings, as well as external risks such as the impact of flooding. The recommended level of balances for 2022/23, based on the risk assessment was £28.9m.

## Appendix A – Summary of arrangements

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### Financial Sustainability

#### Reporting Sub-Criteria

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

#### Findings

OCC ensures that the plans are consistent with other areas as noted in the budgets where changes have been made to adapt to C-19 pressures and demand-led areas (social care, children's needs'). We have also noted that the focus is on improved service delivery. OCC created a new counter-fraud team (under joint working with Cherwell) and is in place since April 21 to ensure money spent is appropriately and any instances of irregularity is spotted/prevented.

Working with partners

Joint working with Cherwell DC – the main impact of this is shared management. The joint Chief Exec is the former chief exec of Cherwell DC. There is a shared monitoring officer.

Both of these are evidence that the Council is responding to the environment and is proactively managing progress towards sustainability.

The joint working arrangements with Cherwell District Council were presented to Cabinet on 8th June 2018. At the meeting the following recommendations from the report were agreed:

- To the principle of implementing joint working arrangements with Cherwell District Council;
- That the guiding principles set out in paragraph 13 should apply in the development of joint working arrangements;
- To establish a joint Chief Executive post with Cherwell District Council; and
- To the establishment of a member led Partnership Working Group.

The conclusion of a s113 Agreement with Cherwell District Council to the Director of Law and Governance, in consultation with the Leader;

- The agreement with Cherwell District Council to Terms of Reference of the Partnership Working Group to the Director of Law and Governance, in consultation with the Leader.

Notice to terminate this arrangement was given in February 2022, with a final date of August 2022, the arrangement was therefore still in place for the entire financial year.

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## Appendix A – Summary of arrangements

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### Financial Sustainability

#### Reporting Sub-Criteria

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

#### Findings

It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant risks to the authority. This should include the proactive participation of all those associated with planning and delivering services and to ensure the authority remains financially resilient and sustainable.

The Council is the ultimate decision-making body from which all other elements in the structure derive their authority. The Council determines the policy framework within which the Council Executive operates.

The Council Cabinet is responsible for most of the decisions taken on the Council's behalf.

The Council has appointed three Scrutiny Committees (Education Scrutiny, Performance Scrutiny and Oxfordshire Joint Health Overview) to review and/or scrutinise decisions made or actions taken by the Council Executive and to scrutinise generally the performance of the Council's services. Scrutiny arrangements are to be reviewed in developing the Council's new Constitution and in the light of emerging statutory guidance.

We note that from the review of Minutes which includes the Performance Scrutiny Committee, Audit Committee, Cabinet and County Council meetings that OCC maintains a risk register. The Risk register is presented to the various committee during every meeting and updated accordingly.

The risks are consistent with our broader expectation and consider the service level of impacts of both the Adult's, Children's and FRS inspections, and the wider corporate failings which have been updated and amended based on the latest reports received. We also note the risk around the Council's projected in-year overspend, which we consider further as part of the financial resilience and sustainability 'key financial and budget monitoring information'.

Any changes to demands are managed through regular budget monitoring and the corporate contingency budget along with also utilizing underspends in other areas. OCC also hold a healthy balance of investments although this is held with a long-term view, these are available where needed.

## Appendix A – Summary of arrangements (continued)

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### Governance

#### Reporting Sub-Criteria

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

#### Findings

The Council's budget is refreshed annually to match its strategic aims and align to strategic priorities and risks. The Business Management and Monitoring report outlines the actions being undertaken by the Council to provide assurance that risks are being mitigated to an acceptable level.

The Business Management and Monitoring report is supported by a risk register. The risks assessed are wider than just financial, due to the nature of the Council's activities. The Council assesses impact of risks on a matrix of likelihood of occurrence and potential impact upon the Council, with a combined score produced to assess the importance of the risk. The Council has a Risk and Opportunities Management Strategy which contains the risk appetite statement that defines acceptable levels of risk for its activities.

The Council has an internal audit service to help gain assurance over the effective operation of internal controls. It also has a Counter Fraud Team as part of its Counter Fraud Strategy and Plan to prevent and detect fraud. Quarterly reports are received from the internal auditors 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 audit and reported to the Audit & Governance Committee.

The Chief Executive is responsible for the adequate provision of Internal audit and counter fraud with oversight from the Audit & Governance Committee. The Council management is responsible for responding to the internal audit and counter fraud findings appropriately and in a timely manner with appropriate challenge from the Audit & Governance Committee.

The Counter Fraud Strategy and related policies (including the Bribery Act Policy) are regularly reviewed and have been approved by the Audit & Governance Committee. The County Council fully participate in the National Fraud Initiative with results notified to the Audit & Governance Committee through the Chief Internal Auditors Annual Report and Opinion.

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.

## Appendix A – Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

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

#### Findings

The Annual Budget process including the responsibilities and procedures in the annual budget process is set out within the Constitution of the Council within Part 8.2 Procedure Rules. See [Financial Procedure Rules \(oxfordshire.gov.uk\)](https://www.oxfordshire.gov.uk/financial-procedure-rules). This was updated in Mach 2020. The Council's arrangements in setting the annual budget is the following:

The Council approves or adopts the policy framework which sets out the council's service delivery plans, including the Corporate Plan and in addition approves or adopts the annual budget, as set out in Part 3.2 of the Constitution.

The Cabinet is responsible for making sure that there is effective financial planning within the council. This includes preparing proposals for the budget, which should take account of the views of the public, local stakeholders and the council's Performance Scrutiny Committee. This process is set out in detail in Part 3.2 of the Constitution.

The Director of Finance is authorised to undertake the administration of the financial affairs of the council, this includes the responsibility to ensure the proper administration of the financial affairs of the Council, to set the financial management standards and to monitor compliance with them, issue and keep under review Financial Regulations under these Rules which councillors, officers and agents of the council are required to follow. Ensure that financial systems and procedures are in place to provide financial information to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators. Ensure the preparation of the council's statement of accounts, in accordance with proper practices, for each financial year ending 31 March and put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with the law.

Directors are required to promote sound financial practices in relation to the standards, performance and development of staff in their directorates. This includes a clear delegation framework to Deputy Directors, Heads of Service and Budget holders. Operate the Budget Management Arrangements as detailed by the Director of Finance and in accordance with guidelines approved by Full Council; and maintain budgetary control within their services.

We have obtained the Budget for the current year 21/22 and 22/23 and we note that the Budget was considered by the Cabinet, before submission to the County Council. We also note that through the review of the Budget Process that the Performance Scrutiny Committee considered strategic issues relating to the Budget including comments on individual portfolios. We note that from the review of the Budget Setting process, the Budget was firstly recommended by the Performance Scrutiny Committee for approval by the Cabinet before the Budget for 21/233 and 22/23 was recommended for approval by the County Council as per the above processes and arrangements contained in the Council's Constitution.

We are therefore satisfied that the above arrangement is in place at OCC as the Budget for 21/22 was approved by the County Council on 9 February 2021.

## Appendix A – Summary of arrangements (continued)

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### Governance

#### Reporting Sub-Criteria

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

#### Findings

We note that within the Constitution of the Council there are processes and procedures in place to ensure the body have 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, this is documented within Part 8 Section 2 Financial Procedure Rules and is set out in section 6 above:

We note that from the review of the Minutes the following arrangements are in place. The Director of Finance (Lorna Baxter) reports to the Cabinet on regular basis as part of an overall performance management reporting process and this is included with the monthly budget monitoring of the Council. The monitoring report includes the actual expenditure against the budget and monitors the expenditure. This furthermore includes financial and performance reporting with areas identified that needs corrective action based on the overspending incurred during the year and how the Council can implement corrective action/savings to reduce the overspending. The budget monitoring report is reported monthly to Cabinet. We note that corrective action is taken where needed, as we saw with virements between directorates to support amendments to the budget due to demand led services, there was also a continued but smaller impact of Covid-19 costs in year.

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## Appendix A – Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

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

#### Findings

All Council decisions are made in accordance with the Council's Constitution including the Council's Financial Regulations.

The Constitution includes the roles and responsibilities of the Cabinet, Committees, Full Council and Chief Officers and the rules under which they operate. In particular 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, while the Council has determined others locally. Please refer to part 2 of the Financial Regulations, which sets out the roles and responsibilities for each of the Council /Committees and executive staff (including s151 and monitoring officer).

Executive decisions are made by the Executive Body being the Leader and Cabinet, within the overall policy and budgetary framework approved by Full Council. Any decisions the Cabinet wishes to take outside of the framework must be referred to Full Council to decide. Scrutiny committees monitor the work of the Executive Body.

There is an effective and appropriate organisational structure at the officer level. Please see the council's website for a high-level overview of senior managers and directorates [Senior managers at Oxfordshire County Council | Oxfordshire County Council](#)

During our review of documentation as well as meeting with Internal Audit, we noted that there are weaknesses in the Council's procurement process however these were identified and actioned in year. Following challenge from the Chief Exec, an independent review was also undertaken to draw up an action plan to improve the process. See point 13 below.

The council have a clear organization structure and clearly defined assignment of authority/ authorization.

- ▶ Management engages in communications so that personnel understand the entity's objectives, their role in relation to these objectives, and how they are held accountable for the achievement of these objectives.

Management communicates with staff through established means of communication, such as regular email briefings and access to Council's intranet.

The vision, corporate plan, service level plans, and individual level objectives are designed to be aligned to ensure each staff member understands how their role fits into the larger Council's vision and goals. These documents (excluding individual level objectives) are available on both the extranet and intranet.

The achievement of objectives is monitored through employee performance reviews.

## Appendix A – Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

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 (continued)

#### Findings

- ▶ There are appropriate methods for establishing authority, responsibility and lines of reporting.

This is set out in the Council's constitution and the Financial Regulations documents.

The Council is the ultimate decision-making body from which all other elements in the structure derive their authority. The Council determines the policy framework within which the Council Executive operates.

The Council Executive is responsible for most of the decisions taken on the Council's behalf.

The Council has appointed three Scrutiny Committees (Education Scrutiny, Performance Scrutiny and Oxfordshire Joint Health Overview) to review and/or scrutinise decisions made or actions taken by the Council Executive and to scrutinise generally the performance of the Council's services. Scrutiny arrangements are to be reviewed in developing the Council's new Constitution and in the light of emerging statutory guidance.

The Planning and Regulation Committee is responsible for determination of planning applications, listed building and conservation area consents, control of advertisements, planning enforcement and for a whole host of other functions under the Town and Country Planning Acts. The committee is also responsible for the application and enforcement of the Building Regulations and for street naming and numbering.

The Standards Committee's role is to promote and maintain high standards of conduct by councillors and co-opted members. The Committee will also be responsible the overview of the whistle blowing policy, overview of complaints handling and Ombudsman investigations and oversight of the Council's Constitution.

Audit and Governance Committee:

Through our attendance at the quarterly meetings of the Audit and Governance Committee, we have observed that those charged with governance provide adequate oversight over the entity's external financial reporting and related internal control.

The Audit and Governance Committee receives reports from both external and internal audit, and the minutes of the Audit and Governance Committee demonstrate that effective action is taken where issues of non-compliance have been identified. Please see our minute review in task "Read minutes of meetings of shareholders, those charged with governance and important committees".

The Audit and Governance Committee has audit focused terms of reference and in accordance with CIPFA/SOLACE guidance the Chairman of the Audit and Governance Committee is not a member of the Executive.

## Appendix A – Summary of arrangements (continued)

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### Governance

#### Reporting Sub-Criteria

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 (continued)

#### Findings

Responsibility for overseeing Corporate Governance is formally delegated and documented through the Financial Regulations which is an element of the overall Council Constitution. The terms of reference for the Audit and Governance Committee are contained within these regulations.

From our attendance of the Audit & Governance committee we have observed that:

- They provide effective oversight of the entity's external financial reporting and internal control over financial reporting.
  - There is an open line of communication with external and internal auditors and the nature and frequency of communication is appropriate given the size and complexity of the entity.
  - They have sufficient knowledge, experience and time to perform their role effectively and have received training from monitoring officer, finance, IA and external audit regarding their roles and responsibilities
  - They are appropriately independent of management given the size and complexity of the entity.
-

## Appendix A – Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

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)

#### Findings

Oxfordshire County Council has a code of conduct that is communicated and monitored via the Code of Conduct. The handbook includes policies regarding ethics and behavioural standards for employees and it is well communicated to the stakeholders of the business and is available on the Council's intranet. All staff are provided with a copy of the policy when joining and are required to read and sign up to the code of conduct/employee handbook. Management takes appropriate action in response to departures from approved policies and procedures or the code of conduct. The relevant processes are set out in the code of conduct/employee handbook.

A review of internal controls is performed by internal audit and communicated to management on a yearly basis. Additionally, as part of the annual governance statement, a review of the system of internal control is in place and assurance over internal controls is provided by each Head of Service. An assurance checklist is used for this exercise.

Attendance of the Audit and Governance Committee and a review of minutes confirm Those Charged With Governance receive reports from both external and internal audit. The minutes also confirm that effective action is taken where issues of non-compliance have been identified.

External sources of assurance include the annual audit report and value for money conclusion by the external auditor. These reports are subject to consideration by senior management and Members of the Council and appropriate response to any recommendations for improvements are agreed. The reports are published on the council's website and the responses from the Audit and Governance committee are included in the committee papers available online.

Responsibility for overseeing Corporate Governance is formally delegated and documented through the Constitution to the Audit and Governance Committee and its terms of reference are contained within the Constitution. The Audit and Governance Committee has audit focused terms of reference and in accordance with CIPFA/SOLACE guidance, the Chairman of the Audit Committee is not a member of the Executive.

The monitoring officer is responsible for ensuring that the authority complies with all applicable laws and is involved in providing an opinion on all decisions that are made by the authority and its various committees as to whether there is an issue with non-compliance. There have been no instances of non-compliance with laws and regulations that we have become aware of in the past year.

We confirmed through enquiry with management and those charged with governance that there have been no instances of non-compliance with laws and regulations that have been noted during 21/22.

## Appendix A – Summary of arrangements (continued)

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### Governance

#### Reporting Sub-Criteria

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)  
(continued)

#### Findings

The Council maintains a Register of interest for each Councillor on their website.

We note furthermore as part of our minute review that there is a standing agenda item pertaining to any conflict of interest declarations that is needed to be made by the members or officers. Furthermore, the Officers and Members of the Council needs to submit an annual declaration of interest which is in line with the Gift and Conflict of Interest policy of the Council.

We note that from CAKE there is an annual process by which the authority requests declaration of interests from both Councillors and Senior Officers to identify related party disclosures required as part of the annual accounts.

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## Appendix A – Summary of arrangements (continued)

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### Improving economy, efficiency and effectiveness

#### Reporting Sub-Criteria

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

#### Findings

Corporate Plan 2022-2025:

This is the detailed report setting out its strategic plan it is in the process of implementing to improve the governance arrangements of the Council. The intention of the Corporate Plan is to bring together the Council's policy, business and financial planning and risk management. It is hoped it will be the vehicle for the County Council's decision making and planning to improve the use of the resources available, understanding the value for money the Council delivers and focused on its priority outcomes.

The Plan is supported by an Outcome Framework for corporate reporting for 21-22, this includes KPI's which is used to monitor the performance of the Council for the key priority areas. The KPI dashboard is discussed during the monthly and quarterly cabinet and council meetings. The dashboard is used to identify areas of improvement is required and to identify key areas of improvement that needs to prioritized. -

The Performance Scrutiny Committee is responsible for the reporting of the performance against the KPI and to ensure effective and efficient mitigated actions is actioned for areas that is not performing against the targets set as per the Corporate Plan. The committee identifies areas that is lacking performance and suggest actions that needs to be adopted to ensure the performance of the KPI. This is also reported on the website of the Council.

The Performance dashboard is based on the following key priorities of the Council:

We strive to give every child a good start in life and protect everyone from neglect

We enable older and disabled people to live independently and care for those in greatest need.

We tackle inequality, help people live safe and healthy lives and and enable everyone to play an active part in their community

We provide services that enhance quality of life and we take action to reduce the impact of climate change and protect the local environment.

We support a thriving and inclusive local economy that recovers strongly from the COVID crises.

We listen to our diverse residents so we can continuously improve our services and provide value for money.

## Appendix A – Summary of arrangements (continued)

### Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>Within this form we have documented various considerations of how the Council evaluates the service and identify areas of improvement. These include the review of the Corporate Risk Register, Budget monitoring reports and External Inspections.</p> <p>The Council continues to monitor and review their 'Thriving Communities' and MTFP to ensure that the plan and KPI's is aligned to the changing environment especially given the uncertainties caused by COVID-19. This furthermore enables the Council to identify services that is not performing as per expected targets according to their embedded priorities as per their 'Reset Plan'. This also enables the Council to ensure that actions is implemented to ensure the continuation of delivering of Services.</p>
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	<p>Joint working with Cherwell-Discussed in section previously above</p> <p><u>Oxfordshire Local Enterprise Partnership (LEP)</u> The Council acts as the Accountable Officer for the Oxfordshire LEP (LEP). The LEP's purpose is to inspire and collaborate to deliver economic opportunities for the communities of Oxfordshire. The LEP brings together representatives from academia, business and the public sector across Oxfordshire.</p> <p><u>Integrated Business Centre</u> The Council is a formal partner in the Integrated Business Centre (IBC) hosted by Hampshire County Council. The Council joined in 2014/15 as the first operational partner for the provision of shared financial and HR services. The service offered by the IBC are HR Services including Payroll, Finance Services, Purchase to Pay Services.</p> <p>The Council is formally represented on the performance board of the IBC. Performance is formally reviewed on a quarterly basis, and this includes a range of Performance Measures, overlaid by comprehensive service performance reports, and agreed actions to drive continued collective performance improvement. The IBC also provides an ISAE 3402 Type 2 report in relation to the control environment. This allows OCC to monitor the control environment and follow up on any control weaknesses noted.</p> <p><u>National Health Service Section 75 Pooled Budgets</u> During 2021/22 the Council had two pooled budgets with Oxfordshire Clinical Commissioning Group and one with Oxford Health NHS Foundation Trust. The pooled budgets operate to provide better outcomes for patients within Oxfordshire and ensure that the resources in place are best utilised for maximum impact.</p>

## Appendix A – Summary of arrangements (continued)

### Improving economy, efficiency and effectiveness

#### Reporting Sub-Criteria

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 (continued)

#### Findings

Oxfordshire Growth Board

The Growth Board became the Future Oxfordshire Partnership from July 2021.

The Future Oxfordshire Partnership is a joint committee of the six councils of Oxfordshire together with key strategic partners working together to deliver a better future for the county.

The partnership's purpose is to deliver the bold aims of the Strategic Vision which all six councils have adopted. It will:

- Coordinate local efforts to manage economic, housing and infrastructure development in a way that is inclusive and maximises local social and environmental benefits;
- Support the development of local planning policy that meets the UK Government's stated aim of net zero carbon by 2050, and contributes towards biodiversity gain whilst embracing the changes needed for a low carbon world; and,
- Seek to secure funding in the pursuit of these aims and oversee the delivery of related work programmes delegated to it by the joint committee's constituent local authority members.

It does this by overseeing the delivery of projects that the councils of Oxfordshire are seeking to deliver collaboratively in the fields of economic development and strategic planning. This cooperation has helped Oxfordshire to secure over £500m of additional investment, such as through the City Deal, Housing and Growth Deal, Housing Infrastructure Fund and the Oxfordshire Rail Connectivity Study. The Future Oxfordshire Partnership also has an important role in representing Oxfordshire on matters of regional interest.

The Partnership meets six times each year to discuss issues facing Oxfordshire's future, most often in a non-decision-making capacity. It is supported by four Advisory Sub-Groups (Infrastructure, Environment, and Housing, with a fourth – Planning – in development), a Scrutiny Panel and a small team of officers who are tasked with delivering on elements of the Partnership's work programme.



## Appendix A – Summary of arrangements (continued)

### Improving economy, efficiency and effectiveness

#### Reporting Sub-Criteria

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

#### Findings

Within the Constitution of the Council in Part 8, Section 3 it sets out the procurement and contracts procedures. This includes the procedures and statutory requirements in terms of the procurement of services.

#### Marston Holdings Ltd Settlement

In June 2019, Marston Holdings Ltd, alleged that the procurement of the parking enforcement contract had been undertaken contrary to the procurement regulations (Public Contracts Regulations 2015). The initiation of proceedings effectively barred the Council from awarding the contract. The Council countered proceedings in order to lift the stay whilst making an urgent application for the progression of the case. The application to lift the stay was expedited by the Court and considered on 7 August 2019. Counsel identified the Council's chances of success in defending the challenge as being poor and that Marston Holdings Ltd chances of success were in the region of 75% - 85%. A complex negotiation process was undertaken by the parties in preparation for a costs hearing before the Court. The Council in preparation for a costs hearing presented detailed points of dispute, which together with a robust negotiation strategy, ensured that the original costs claim was significantly reduced. The relevant Portfolio Holder was kept fully informed throughout this process. As a result of the Council's decision to settle the case, the Council also became liable for the legal costs incurred by Marston Holdings Ltd in bringing the claim. The original bill of costs identified a cost claim of £649,972.05 which was in the opinion of the cost draftsman instructed, excessive and without merit. On advice of Counsel and in consultation with the relevant Portfolio Holders a final settlement figure was agreed. The total cost to the Council including internal costs/staff time was £1,607,338.57.

An external investigator was recommended by Bevan Brittan and is an experienced and recognised investigator used by the LGA. The individual was selected on the basis of their experience investigating serious issues and senior and statutory officers in both the local government and health sectors. The use of this approach was instigated by the Chief Executive following an internal fact-finding review where it was clear that the complexity and seriousness of the issue warranted independent investigation and a recognition that disciplinary investigations could be taken as a result of its findings. The investigation included within its terms, the engagement of staff who have left the organisation, staff who had been employed on temporary or agency terms and members of staff currently employed. Contacting and interviewing individuals who had left the organisation was an important element of the review, and the commissioning officer recognised and accepted that this would add time to the investigation, especially given that the investigation was commissioned just prior to the first lockdown and was undertaken during lockdown.

Following receipt of external legal opinion, the report made a number of recommendations which have been translated into a management response and action plan.

## Appendix A – Summary of arrangements (continued)

### Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
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 (continued)	<p data-bbox="674 363 2143 430">Following receipt of external legal opinion, the report made a number of recommendations which have been translated into a management response and action plan.</p> <p data-bbox="674 478 2143 510"><b>Procurement and Contract Management Review and Improvements</b></p> <ul data-bbox="674 510 2143 1519" style="list-style-type: none"><li data-bbox="674 510 2143 670">- Service structure &amp; recruitment: As part of the Provision Cycle programme, a full review and fundamental redesign of the service has been undertaken. This includes increased capacity in a central procurement hub to oversee and develop a strong procurement service. The new hub structure went live on 4th January 2021 and strong working relationships are already being built between Category specialists and senior management in service areas.</li><li data-bbox="674 670 2143 766">- A new permanent Head of Procurement and Contract Management starts in March. Recruitment continues to complete the full structure, with some key appointments made through February. Very targeted recruitment for remaining unfilled roles continues.</li><li data-bbox="674 813 2143 1005">- Enhanced senior oversight: The service redesign includes enhanced capacity at the senior level to manage and lead the service. The permanent procurement lead will report directly to the Director of Law and Governance. Heads of Category for each service area, have begun work with senior management to ensure the revised procurement processes are embedded in service areas and across the procurement hub. A number of reports will be run on a systematic basis, to provide CEDR with oversight of procurement activity across OCC and CDC, and to support the management of risk.</li><li data-bbox="674 1053 2143 1181">- Briefing of Portfolio Holders (interface with members): All Corporate Directors meet at least fortnightly with relevant portfolio holders to fully brief them on current and emerging issues affecting their directorate. In addition, regular meetings with the Cabinet and Political Group Leaders are held to ensure members are kept fully informed.</li><li data-bbox="674 1228 2143 1340">- Training &amp; Processes: In Autumn 2019, Counsel provided further training to procurement officers. This training addressed the procurement process, the need to keep evidence and the failing of the procurement exercise in the Marston Holdings Ltd case. Directly responding to the issues within this case</li><li data-bbox="674 1388 2143 1519">- All procurement and contract management processes have been reviewed and ‘remapped’ at workshops run by our Business Improvement Team. These workshops included procurement specialists and staff from service areas. Not only did they serve as the forum to ensure processes are accurately defined, but as excellent engagement events for staff who will be using the new processes.</li></ul>

## Appendix A – Summary of arrangements (continued)

### Improving economy, efficiency and effectiveness

#### Reporting Sub-Criteria

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  
(continued)

#### Findings

A procurement Handbook has been produced in collaboration with PwC, which will be used as the key source of guidance for procurement staff and staff in service areas, conducting procurement activity. A number of 'Introduction to the Provision Cycle' workshops took place in January, providing staff with information on the new structure and the Handbook. 67 members of staff took part in these workshops and procurement Category Managers are also briefing staff at team meetings. Service area input on the Handbook has been received and integrated into a final version. Alongside targeted written communications, engagement with staff is going extremely well and a single, user-friendly source of guidance is welcomed.

- A new Competency and Training Framework will be used with staff to identify any skills gaps and put in place the necessary training. Workshops are due to run with staff in March, alongside newly recruited staff to the Health, Education and Social Care (HESC) commissioning structure.
- New on-boarding material has been produced for new recruits joining the services, to ensure they understand the revised processes from day 1.
- Behaviours & Culture: Key behaviours for procurement and commissioning activity, have been agreed for the new Procurement Hub and the Health, Education and Social Care (HESC) commissioning service. These behaviours have been communicated to staff during briefings and used as criteria in the application and interview process. They will continue to be used as ongoing objectives for both services, and success measured on an individual and team basis.
- Third Party Spend Programme: in collaboration with PwC, a third party spend programme is being undertaken. The overall programme aims to produce a single view of 3rd party savings opportunities, including those already in flow or planned in the service areas, and new opportunities. The outputs will include a single, coherent plan, allowing Category Managers to support the work collaboratively with service areas.
- Category managers are currently meeting with Service Managers to review opportunities. Detailed baselining has commenced with service areas to identify opportunities to reduce third party spend, now and in future years
- Implementing best practice Procurement & Contract Management (including management of tail and off-contract spend) within service areas, will enable us to start making savings in the shorter-term

We have confirmed through enquiry with management that these improvements to the procurement process were still in place for 21/22 and therefore we have not identified a risk of material weakness in 21/22.

## Appendix B – Fees Relationships, services and related threats and safeguards

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The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its directors and senior management and its affiliates, including all services provided by us and our network to the Council, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below. Further detail of all fees has been provided to the Audit and Accounts Committee with measurement against pre-approved limits.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

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

## Appendix B – Fees

### Fees

We carried out our audit of the Council 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 significant risks and certain areas of audit focus. As a result, we will discuss an associated additional fee with the Executive Director of Resources (Section 151 Officer) and will submit the proposed fee for approval by PSAA Ltd.

Our fee for 2021/22 is in line with the audit fee agreed and reported in our 2021/22 Annual Results Report.

Description	Final Fee 2021/22 £	Planned Fee 2021/22 £	Final Fee 2020/21 £
Total Audit Fee – Code work	145,200*	145,200*	145,200*
Additional Fee	TBC		169,860***
Other Objection – 2015/16	-	-	27,225
Other Objection – 2016/17	-	-	19,998
<b>Total Audit Fees</b>	<b>Note***</b>	<b>145,200*</b>	<b>144,391</b>
Non-audit work (Teacher’s Pensions Certification)	14,000**	14,000**	13,500**
<b>Total non-audit services</b>	<b>14,000</b>	<b>14,000</b>	<b>13,500</b>
<b>Total fees</b>	<b>Note***</b>	<b>Note***</b>	<b>157,391</b>

(\*) The scale fee for 2020/21 and 2021/22 is set by PSAA as indicative and does not reflect the actual costs of undertaking the audit, to address all risks identified and to meet current regulatory standards.. In our planning report, we included an estimate of the fee of £145,200 to reflect those underlying costs.

(\*\*) The 2021/22 work on the Teacher’s Pension certification has been completed.

(\*\*\*) During 2020/21 we incurred additional costs in addressing the increased risks associated with C 19, including asset valuations and the impact on the going concern assessment. Our work on asset valuations identified 66 assets which needed to be re-stated for 3 years due to issues with the obsolescence assumption. We also experienced significant delays due to key changes in the finance team which cumulatively delayed the audit and resulted in significant inefficiency and delay. We have discussed and submitted the proposed additional fee with management and PSAA and are awaiting final determination on the additional fee for 2020/21. Once approved we will communicate the final fee to the Audit & Governance Committee.

In December 2023 PSAA agreed the additional fees in respect of the 2 objections for 2015/16 and 2016/17. These were agreed at the rates noted above.

2021/22 - TBC - Now that the work is completed and reports issued for 2021/22 we will calculate associated additional fees and share these with management and PSAA for consideration.

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