



Oxford City Council Value for Money Interim Report

Years ended 31 March 2022 and 31 March 2023

01 October 2024

43

Agenda Item 7

01 October 2024



Oxford City Council
Oxford Town Hall
Oxford
OX1 1BX

Dear Audit & Governance Committee Members

Value for Money Report up to and including 2021/22 and 2022/23

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for Oxford City Council. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2021/22 and 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 29 October 2024.

Yours faithfully

Maria Grindley

Partner

For and on behalf of Ernst & Young LLP

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Contents

01 Executive Summary



02 Value for Money Commentary



03 Appendices



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/auditquality/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 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.



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436

01 Executive Summary



Executive Summary

Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this interim commentary is to explain the work we have undertaken during the period 01 April 2021 to 31 March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2021/22 and 2022/23. The NAO has confirmed that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit report has been issued for 2022/23.

Executive Summary (continued)

Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the Head of Financial Services;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

438 We completed our risk assessment procedures in respect of the Council 's VFM arrangements.

We identified a significant risk related to the Governance sub-criteria as part of our risk assessment procedures. We set out our planned response to address this risk in the table below.

Description of risk identified	Work planned to address the risk of significant weakness
Implementation of the QL Housing IT system	Review of relevant papers including minutes and decisions

Executive Summary (continued)

Reporting

Our interim commentary for 2021/22 and 2022/23 is set out over pages 10 to 35. The interim commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2021/22 and 2022/23. We include within the VFM commentary below the associated recommendation we have agreed with the Council.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Auditor’s Annual Report and have been updated for 2021/22 and 2022/23.

In accordance with the NAO’s 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body’s arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	Yes - implementation of new QL Housing IT system	Yes - significant weakness in arrangements identified
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	No significant risks identified	No significant risks identified

439



Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, 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.

440

EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)



441

02 Value for Money Commentary

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

Financial Performance:

The Council set a budget for spending on General Fund services of £24.605 million, to be financed by Council Tax of £14.758 million (net of parish precepts), retained business rates of £7.154 million, contributions from earmarked reserves of £1.982 million, and grant of £0.711 million. The 22/23 revenue outturn showed a favourable position of £0.193 million against the balanced budget agreed in February 2022. This position is after carry forward of unspent budgets of £0.148 million and a budgeted transfer of £1.982 million from earmarked reserves.

Company Financial positions:

The Council has three wholly owned companies: Oxford Direct Services Ltd (ODSL), Oxford Direct Services Trading Ltd (ODSTL), and Oxford City Housing Ltd (OCHL). The OCHL holding company has two wholly owned subsidiaries: Oxford City Housing Development Ltd (OCH(D)L) and Oxford City Housing Investment Ltd (OCH(I)L). The Council also has two joint ventures: OxWED LLP and Barton Oxford LLP. ODSL made a surplus of £1.4 million in 2022/23 (2.5 million in 2021/22). ODSTL made a surplus of £0.5 million in 2022/23 (£0.288 million in 2021/22). From 2021/22 onwards, ODSL performed only work for the Council, and work for any entities other than the Council was performed by ODSTL. OCHL group made a profit of £2.653 million for the 2022/23 financial year 2022/23 (£3.413 million for 2021/22). OxWED LLP made a loss of £3.255 million for 2022/23 (0.834 million in 2021/22) mainly due to financing costs from servicing the loans from the partners (which mainly relate to the costs of land assembly) and the costs of the preparation for development. The company is working on bringing the site forward for development.

Financial Position:

Total Usable Reserves increased by £6.4 million due to planned transfers to reserves. The balance of the Council's General Fund remained constant year on year at £12.622 million. Earmarked Reserves decreased from £51.4 million to £44.2 million which was in line with the Medium-Term Financial Plan and the return to business as usual after Covid. Key movements within Earmarked Reserves included the NNDR Retention Reserve which reduced year on year by £7.4 million; and the Covid Emergency Reserve which reduced year on year by £1.9 million.

Budgets and Medium Term Financial Strategy:

The budgets for 2022/23 and 2021/22 were approved in February 2022 and February 2021 respectively. The Council was able to produce a balanced budget for the financial year in-line with statutory duties. The Council has set a balanced budget for the financial years to 2027/28. The main service provision pressure for the Council at present is the homelessness service and the additional costs of temporary accommodation associated with this. Adverse budget pressures of £0.9 million are forecast in this area for 2023/24 with costs expected to increase to £3 million for 2024/25. This is a key area of scrutiny within the organisation. The budgets for 2023/24 and 2024/25 were scrutinised by the Finance Team, Directors and the Chief Executive, Executive Members and the Scrutiny Committee's Finance Panel, and the figures presented within the budget were a sound estimate of the position. Uncertainty was highlighted around key income streams, such as car parking and rents, however the section 25 report concluded that the budgets for 2023/24 and 2024/25 were robust and that the level of reserves were adequate to support the Council over the following four years

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

The Council continues to maintain adequate arrangements to monitor and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud and corruption. The Council's risk management framework guides the development of risk and opportunity management at a strategic and operational level and to ensure that risks are appropriately managed and controlled. This aids the achievement of the Council's strategic priorities, supports its decision-making processes, and protects its reputation and other assets and is compliant with statutory and regulatory obligations. Risks are identified as a routine process of all services and these are regularly reviewed and updated.

The Council has implemented systems to ensure conflicts of interest are identified, recorded and acted upon accordingly, excluding anyone from decision-making where a conflict arises, and making public declaration of interests through its Register of Interests which is published on the Council's website and covers employees and members.

443 This risk management framework is supported and informed by the work of the Council's Internal Audit function. Having completed their work in accordance with the 2021/22 and 2022/23 Internal Audit Plans, Internal Audit issued a Moderate Head of Internal Audit Opinion for both years concluding that 'there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently'. Where recommendations have been raised, there is an established process of monitoring progress to ensure these recommendations are implemented and embedded. Where actions and recommendations go overdue, management are required to report the rationale to the Committee.

The Council published their draft 2022/23 financial statements for audit on the 29 May 2023, in line with the Audit and Accounts regulations, and advertised and held an inspection period for members of the public in line with these regulations. We confirm that the 2022/23 draft financial statements were arithmetically correct, agreed to the data in the general ledger, and prepared in line with the content required by the CIPFA Code. The Council has carried out bank reconciliations during the year. Therefore, appropriate arrangements for financial reporting were in place during 2022/23.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

Implementation of new QL Housing IT System:

During the period Oxford City Council implemented a new housing IT system named QL for one of its subsidiaries (Oxford Direct Services - ODS to raise and process invoices. There have been a number of significant challenges with the implementation.

The project which had an original go live date of 1 April 2019, suffered multiple delays and cost overruns, created a significant amount of business interruption which required significant additional officer resource to resolve. The original budget for the implementation and software was £1.6 million. The actual 'Go Live' date was 1 May 2021. However significant issues were identified post 'Go Live' with the root of the problems being identified as the failed migration of data from a number of legacy systems into QL. A cross service multi-disciplinary team of officers and contractor staff from the IT partner was put in place to resolve a number of the issues noted above however many of the problems existed up until November 2022. To oversee the resolution of the problems post April 2021 the membership of the Project Implementation Board was changed and a new Project Recovery Board was established consisting of senior management with the Council, Oxford Direct Services and the IT Partner responsible for the implementation.

As a result, the programme implementation is in a status of recovery. An independent review of the QL Housing System Programme Implementation was initiated by the Director of People and Communities in parallel with putting in place programme interventions to stabilise the programme and deal with immediate issues. The Council are heading towards a business-as-usual status with QL and the Council have developed a series of planned actions, decisions, and recommendations to improve the progress of the project. The issues with the QL system implementation also impacted financial reporting and delays with the draft accounts production for 2021/22. This had a knock-on impact and caused delays with the external audits for both the Council and subsidiaries reliant on QL.

Conclusion: Based on the work performed, we have identified a significant weakness in the arrangements that we will be reporting by exception in relation to Governance and specifically the decision making in place around the implementation of the new QL Housing IT system.

Recommendation: The Council needs to ensure that all future IT projects are suitably planned, resourced and that any contracting partners have the necessary credentials and experience to deliver the project to both budget and time. In addition, the Council needs to ensure that those involved internally also have the appropriate skills and experience to deliver their roles. Appropriate governance arrangements supporting the delivery of projects also need to be fully established and are considered to be mature and effective.

Value for Money Commentary (continued)

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

No significant weakness identified

The Council has policies and procedures in place to ensure that staff operate in accordance with relevant legislative and regulatory requirements. Each of the Council's areas of key service provision are supported by a separate overview and scrutiny committee. Each of these Committees is responsible for ensuring compliance with legislative and regulatory requirements.

The Council has an established process of quarterly reporting of financial performance to the Finance, and Performance Panel Committee and operational performance reports to the service line Overview and Scrutiny Bodies. These in turn are sub-committees of the Cabinet. These have continued to operate effectively throughout the 2021/22 and 2022/23 periods, and clearly outline performance against planned targets and outcomes. These meetings and the decisions made are published on the Council's website. Depending on the performance area, the (full) Council meeting has oversight of actions being identified and taken to address areas where performance is below plan. Where available, services utilise performance information and standards to compare and assess performance with other councils or with nationally recognised performance frameworks (e.g. Department of Work and Pensions and national planning indicators).

Each year the Council produces a Business Plan which details the Council's performance throughout the year, both financial and non-financial. The Council Business Plan for 2022-23 was published in March 2022 <https://mycouncil.oxford.gov.uk/ielssueDetails.aspx?Ild=27055&PlanId=0&Opt=3#AI28733>. 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..

In July 2023 the Council received positive feedback from a LGA Corporate Peer Challenge. The peer reviewers spent a week on site and interviewed over 150 key stakeholders as well as reviewing key documents such as the Medium-Term Financial Plan. Headline messages included phrases such as: 'Oxford City Council is a particularly ambitious district council with a strong track record of delivery'. Other conclusions from the report made reference to the Council's role in key partnerships: "The Council is a good partner and is respected for its convening role in collaboration and place shaping".

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



116

03 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations

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

Arrangements in place

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.

The budget for 2021/22 was approved by the Council in February 2021. The total revenue budget for 2021/22 was £23.6 m, to be financed by Council tax of £14.9 m and business rates of £14.7 m. The budget for 2022/23 was approved by the Council in February 2022. The total revenue budget for 2022/23 was £24.6 m. The council tax requirement (which is the net budget met by council tax) for 2022/23 was set at £14.758m. The remainder of the budget was to be financed from retained business rates of £7.1 m; contributions from earmarked reserves of £1.9 m; and grants of £0.7 m.

Medium Term Financial Plan (MTFP):

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 post pandemic MTFP is to be considered in conjunction with the most recent Council's draft Strategy 24-28 which is still at the consultation stage and sets out the Council's plans across its five priorities:

- Good, affordable homes;
- Strong, fair economy;
- Thriving communities;
- Zero carbon Oxford; &
- A well-run council

447

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations

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 (cont'd)

Arrangements in place

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.

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.

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 2023. 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.

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations

Arrangements in place

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.

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 2023 as per the unaudited 2022/23 Draft Accounts for the Council the Council held the following Usable Reserves: General Fund Balances of £3.6 m as determined by the S151 (PY: £3.6 m) and Earmarked Reserves of £46 m (PY: £53 m).

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.

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

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities (cont'd)

Arrangements in place

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.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
451 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	<p>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.</p> <p>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.</p> <p>All of the Council's financial strategies and planning interlink and are presented in a way that informs clear and effective decision making.</p>
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>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.</p> <p>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.</p> <p><u>Budget Monitoring and Control:</u> 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.</p>

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations

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

Arrangements in place

The largest risk affecting the Council throughout the year 2020/21 and 21/22 was the Covid-19 pandemic. As of December 22, the Council's plans for Restart, Recovery and Renewal is an ongoing process that helps anticipate, prepare, and respond to and recover from the impact of COVID19. The Services continue to deliver and develop effective processes to help mitigate risks to the smooth running and delivery of services, ensuring they can best continue to operate to the extent required in the event of COVID-19 and beyond. Also, although the impact of Covid-19 has become business as usual, a financial services corporate level red risk remains Balancing and Delivery of the Financial Plan. Adverse financial impacts arising from the Covid-19 pandemic and the economic aftermath could result in being unable to balance the Mid Term Financial Plan and hence deliver the Council's Corporate Plan priorities. Also, another two service level red risks the first relating to Management effectiveness and employee ability to deliver services due to the Covid-19 pandemic increased workloads and the second to Public Health Protection: With the continued presence of Covid-19, the importance of competent and experienced specialist staff; effective links with the CCDC and protocols for outbreak and control are a priority.

452

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

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

Arrangements in place

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: which provides a further source of effective assurance regarding arrangements for managing risk and maintaining – an effective control environment and makes recommendations that are listened to and acted upon

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.

453

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

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

Arrangements in place

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.

The Chief Financial Officer is responsible for ensuring that a revenue budget and capital programme is prepared on an annual basis and a forward financial forecast is prepared.

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.

Following a robust challenge process involving both chief officers and members, as well as a statutory budget consultation process with business ratepayers and residents in the Borough, the Council may decide to adopt the Cabinet's proposals, amend them, refer them back to the Cabinet for further consideration, or substitute with its own proposals. Any decision is made on the basis of a simple majority of votes cast at the meeting. Once the decision has been taken by the Council, it will be publicised and implemented.

454

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year 2021/22 to 2022/23

Reporting criteria considerations	Arrangements in place
455 How the body approaches and carries out its annual budget setting process (cont'd)	<p>The Council's budgets include the General Fund, the Housing Revenue Account and the capital budgets. Detailed approval limits and roles, as well as conflict resolution guidelines on adoption of plans or strategies are set within the Council's constitution: https://www.oxford.gov.uk/info/20050/how_the_council_works/598/our_decision-making_process.</p> <p>It is the responsibility of chief officers to ensure that budget estimates reflecting agreed service plans are submitted to the Cabinet and that these estimates are prepared in line with guidance issued by the Cabinet.</p>
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	<p>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.</p> <p><u>Budget Monitoring and Control:</u> 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.</p>

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

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 (cont'd)

Arrangements in place

The Audit & Governance Committee reviews and monitors the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and/or weakens the control environment. This includes their review and approval of the statutory annual statement of accounts. Specifically, they consider whether appropriate accounting policies have been followed and whether there are concerns arising from financial statements or from the external auditor that need to be brought to the attention of the Council. In addition, the Audit Committee considers the External Auditor's report to those charged with governance on issues arising from the external audit of the accounts.

456

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

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

457

Arrangements in place

The Council has a number of arrangements in place to ensure that appropriate decisions are made. Council decisions may be made either at Full Council meetings, at committees of Council, at a meeting of all executive members i.e. 'Cabinet' or by individual executive members at 'decision days'.

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.

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 suggest new policy areas or review the effectiveness of existing policies.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

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)

Arrangements in place

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 will be 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.

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.

458

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

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)

Arrangements in place

Implementation of new QL Housing IT System:

During the period Oxford City Council implemented a new housing IT system named QL for one of its subsidiaries (Oxford Direct Services - ODS to raise and process invoices. There have been a number of significant challenges with the implementation.

The project which had an original go live date of 1 April 2019, suffered multiple delays and cost overruns, created a significant amount of business interruption which required significant additional officer resource to resolve. The original budget for the implementation and software was £1.6 million. The actual 'Go Live' date was 1 May 2021. However significant issues were identified post 'Go Live' with the root of the problems being identified as the failed migration of data from a number of legacy systems into QL. A cross service multi-disciplinary team of officers and contractor staff from the IT partner was put in place to resolve a number of the issues noted above however many of the problems existed up until November 2022. To oversee the resolution of the problems post April 2021 the membership of the Project Implementation Board was changed and a new Project Recovery Board was established consisting of senior management with the Council, Oxford Direct Services and the IT Partner responsible for the implementation.

As a result, the programme implementation is in a status of recovery. An independent review of the QL Housing System Programme Implementation was initiated by the Director of People and Communities in parallel with putting in place programme interventions to stabilise the programme and deal with immediate issues. The Council are heading towards a business-as-usual status with QL and the Council have developed a series of planned actions, decisions, and recommendations to improve the progress of the project. The issues with the QL system implementation also impacted financial reporting and delays with the draft accounts production for 2021/22. This had a knock-on impact and caused delays with the external audits for both the Council and subsidiaries reliant on QL.

459

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

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)

Arrangements in place

Implementation of new QL Housing IT System (cont'd):

The independent Lessons Learned Review which was commissioned focused on the following 5 key areas in respect of the QL implementation project:

- Procurement;
- Governance;
- Implementation;
- Testing; and
- Data

There were critical findings in respect of each of these 5 areas. In addition, the original budget of the QL implementation in effect doubled.

The Council have reported the actions being taken to address this matter and therefore there is nothing additional which needs to be reported.

The implementation of the QL system is evidence of a weakness in arrangements in respect of Governance.

460

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

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)

Arrangements in place

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:

- 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.

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).

461

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

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)

Arrangements in place

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.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

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

Arrangements in place

The effectiveness of the Council's interventions and the quality of its services is monitored through the preparation of regular performance reports showing progress towards goals and targets set in the budget and business plans. Key areas are highlighted for decision-makers to take corrective action if necessary.

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:

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

463

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

Arrangements in place

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

Each year the Council produces a Business Plan which details the Council's performance throughout the year, both financial and non-financial. The Council Business Plan for 2022-23 was published in March 2022 <https://mycouncil.oxford.gov.uk/ielssueDetails.aspx?IId=27055&PlanId=0&Opt=3#AI28733>.

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 very 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 values in excess of £5.11 m during 2022/23.

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 KPIs for 2021-24, i.e. what a good KPI looks like; how to ensure KPIs are measurable; ensuring that KPIs align with the Business Strategy; and considering new KPIs.

464

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

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

465

Arrangements in place

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.

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.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

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 (cont'd)

Arrangements in place

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.

466

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

Arrangements in place

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.

467

Appendix B – Summary of recommendations

Recommendations

The table below sets out the recommendations arising from the value for money work in the year covered in this report, 2022/23.

All recommendations have been agreed by management.

Issue	Recommendation	Management response
Governance	The Council needs to ensure that all future IT projects are suitably planned, resourced and that any contracting partners have the necessary credentials and experience to deliver the project to both budget and time. In addition, the Council needs to ensure that those involved internally also have the appropriate skills and experience to deliver their roles. Appropriate governance arrangements supporting the delivery of projects also need to be fully established and are considered to be mature and effective.	The Council commissioned a review into the implementation of IT Projects and following this has implemented a number of recommendations which together cover the recommendations raised in the VfM report. The Council has introduced new corporate governance processes, along with more robust reporting and decision making through our Communities and Corporate Change Boards. All new projects now follow the new processes that have been introduced and now have more robust Senior management oversight. There are now project 'gateways' that test specifications, evaluate the procurement route and the risks before allowing a project to proceed and these stages are scrutinised through the Organisation Change Board which all Heads of Service attend to ensure that the correct stakeholders are involved in evaluation and are providing sufficient support to the project board. Each project must have a RACI (Responsibility, Accountability, Consulted and Informed) document which clearly sets out areas of responsibility, for everyone involved in the project including setting clear project roles and responsibilities, Senior Management sponsorship, as well as defining Heads of Service and Project Manager roles. Project Managers, especially for major systems, are now required to be suitably experienced. The Business owner role for all ICT related projects is a key part of the documentation required for sign off and there are periodic updates of new ICT projects to both Corporate Management Team and Organisational Change Board on progress of key projects. Go live decisions are now be taken by the project's project board, with clear understanding of the risks and implications.

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