

# Draft Annual Governance Statement

## 2010/11

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## 1.0 Scope of responsibility

South Oxfordshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The council approved and adopted its first local code of corporate governance in 2003. The council adopted a revised local code of governance with effect from 1 April 2008. This local code of governance is consistent with the "*Delivering Good Governance in Local Government*" publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), which was published in July 2007.

This statement explains how South Oxfordshire District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

Our website at [www.southoxon.gov.uk](http://www.southoxon.gov.uk) has a copy of the local code of corporate governance within its Constitution or it can be obtained from:

Democratic Services  
South Oxfordshire District Council  
Benson Lane  
Crowmarsh Gifford  
Oxon  
OX10 8QS

## **2.0 The purpose of the governance framework**

The governance framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The council has had the governance framework described below in place for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

## **3.0 The governance framework**

The purpose of the governance framework is to do the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Full council is responsible for directing and controlling the organisation in this manner. Full council's responsibilities include agreeing the Constitution and key governance documents, the policy framework and key strategies including the community strategy and agreeing the budget.

South Oxfordshire District Council has executive arrangements in place consisting of a Cabinet and, until May 2010, two scrutiny committees. From May 2010 one scrutiny committee existed. Cabinet is responsible for proposing the policy framework and key strategies, proposing the budget and implementing the policy framework and key strategies. The scrutiny function allows a committee to question and challenge the policy and performance of the executive and promote public debate.

The chief executive, who was appointed joint chief executive of this council and Vale of White Horse District Council in September 2008, advises councillors on policy and procedures to drive the aims and objectives of the authority. As head of the officer staff, the chief executive oversees the employment and conditions of staff. The chief executive leads a management team that is shared with Vale of White Horse District Council. The chief finance officer, the monitoring officer and heads of service are responsible for advising the executive and scrutiny committees on legislative, financial and other policy considerations to achieve South Oxfordshire District Council's objectives and are responsible for implementing councillors' decisions. Our management structure is at appendix 1 to this document:

Our governance framework for 2010/11 was based on our local code of governance, which was adopted in 2008. Within the framework we aim to meet the principles of good governance in all aspects of the council's work giving particular attention to the main principles, which are:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Councillors and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of councillors and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability

## THE STRATEGIC PLANNING FRAMEWORK

To ensure we do the right things, in the right way, for the right people, in a timely, inclusive, open, honest cost-effective and accountable manner, our strategic planning framework incorporates residents' and service-providers' views as well as national and local priorities.

Our Statement of Strategic Intent sets out our long term vision, which is **“to work in partnership to maintain and improve the quality of life in South Oxfordshire”**. It complements that of the South Oxfordshire Partnership (SOP) and reflects our desire to work in partnership to achieve the best services possible for South Oxfordshire.

Our strategic planning framework incorporates the Local Strategic Partnership's sustainable communities strategy for the area. The local development framework, a set of planning policy documents that set out how we will use land, has been the basis to achieve both our partners' and our wider objectives. We also carry out regular consultation with residents and service-users to identify their priorities for service improvement and how satisfied they are with our services.

Our Corporate Plan sets out the council's strategic objectives and corporate priorities, which are as follows:

STRATEGIC OBJECTIVE	CORPORATE PRIORITIES
Managing our business effectively	<ul style="list-style-type: none"> <li>• Provide value for money services that meet the needs of our residents and service users</li> <li>• Provide equality of access to our services</li> </ul>

STRATEGIC OBJECTIVE	CORPORATE PRIORITIES
Protecting our environment	<ul style="list-style-type: none"> <li>• Reduce the amount of waste we send to landfill</li> <li>• Reduce energy use from our own operations</li> <li>• Keep the district clean and tidy, and tackle environmental crime such as litter, graffiti, fly tipping and abandoned cars</li> </ul>
Delivering homes for all	<ul style="list-style-type: none"> <li>• Increase the supply of housing in the district, including affordable housing</li> <li>• Prevent homelessness and improve housing options, particularly for vulnerable groups such as young people and older people</li> </ul>
Supporting economic growth	<ul style="list-style-type: none"> <li>• Support creation of vibrant market towns</li> <li>• Promote business growth and the creation of new jobs</li> </ul>
Transforming Didcot	<ul style="list-style-type: none"> <li>• Plan for the expansion of Didcot as a major centre of population and employment in Southern Oxfordshire</li> <li>• Develop a thriving town centre with a wider range of facilities</li> </ul>
Helping people feel safe and secure	<ul style="list-style-type: none"> <li>• Tackle crime and antisocial behaviour</li> <li>• Maintain low levels of fear of crime and antisocial behaviour</li> <li>• Take action to alleviate the risk of flooding to properties</li> </ul>
Improving opportunities, activities and support for young people	<ul style="list-style-type: none"> <li>• Increase access to a wide range of activities for young people, which meet their needs; and support young people at risk of committing antisocial behaviour and crime</li> </ul>
Strengthening local communities	<ul style="list-style-type: none"> <li>• Support local groups to provide services and solutions in their local communities</li> <li>• Advocate and influence on behalf of our communities on important local issues for which we are not the main provider</li> </ul>

Our four year Corporate Plan, along with Oxfordshire-wide plans, guides our decisions on how we invest our financial and staffing resources. These plans determine the types of projects we support through grant funding. Arising from the Corporate Plan each service team has a detailed service plan and workplan which identifies how they will undertake specific activities, which will deliver our priorities.

## PERFORMANCE MANAGEMENT FRAMEWORK

In order to know that we are achieving the strategic objectives and corporate priorities in the Corporate Plan, we monitor performance against national indicators<sup>1</sup> and set local performance targets. To ensure we meet these targets and objectives, we have one-year service plans, workplans and service targets, thus ensuring that a *golden thread* aligns the council's top-level objectives to the work of each individual.

<sup>1</sup> National indicators have been discontinued, and the council is no longer required to report on them. The Government is currently finalising a 'single data list', which will detail future reporting requirements.

We use a performance management system to monitor progress against the council's actions and targets. In the process of monitoring performance, we forecast year-end outcomes and undertake action planning to get measures back on track if they are below target. In addition, we review performance at the end of the year and use this to help set targets for the coming years. Where the council is not meeting targets, the responsible head of service discusses these on a monthly basis with their strategic director.

Our individual performance review scheme focuses on agreement of targets linked to service plans between managers and individuals. Throughout the year, staff have meetings with their managers to review progress and discuss and plan personal development in line with the council's objectives.

As the council outsources a significant number of services, we have operated since 2002 a formal framework for monitoring the performance of contractors, and reporting these to a scrutiny committee.

## LEGAL FRAMEWORK

Our Constitution sets out how South Oxfordshire District Council is managed and guides decision-making towards objectives. The monitoring officer is responsible for ensuring the lawfulness of decision-making and maintaining the Constitution. Our Constitution includes a set of procedure rules that govern how we conduct our business. It also includes protocols covering, for example, the disclosure of interests in contracts and the relationship between officers and councillors. In addition the Constitution contains a planning code of conduct for councillors and a code of conduct for officers.

All decisions are made in accordance with the requirements of the Constitution and the scheme of delegation, which forms part of the Constitution. The monitoring officer will report to full Council or to Cabinet if she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration.

In the role of monitoring officer, the head of legal and democratic services contributes to the promotion and maintenance of high standards of conduct through support to the Standards Committee.

The Constitution includes our code of conduct for councillors which came into effect from 1 July 2007. It incorporates the mandatory requirements of the model code of conduct.

## FINANCIAL FRAMEWORK

The section 151 officer is responsible for the overall management of the financial affairs of the council. The section 151 officer determines all financial systems, procedures and supporting records of the council, after consultation with heads of service. Any new or amended financial systems, procedures or practices are agreed with the section 151 officer before implementation.

The full council is responsible for approving the following:

- MEDIUM TERM FINANCIAL STRATEGY

The medium term financial strategy sets a stable financial framework within which the council operates, and it is reviewed annually. It guides the medium term financial plan that is reported to councillors during the budget setting process.

- TREASURY MANAGEMENT STRATEGY

The treasury management strategy governs the operation of the council's treasury function, and is reviewed at least annually or during the year if it becomes necessary to do so. This strategy includes parameters for lending and borrowing, and identifies the risks of treasury activity.

- CAPITAL STRATEGY

The capital strategy governs the council's capital programme.

- REVENUE AND CAPITAL BUDGET SETTING

Both revenue and capital budgets are set by full council. Revenue budget setting includes both the calculation of the council tax base and the surplus or deficit arising from the collection fund.

Cabinet has overall responsibility for the implementation of the council's financial strategies and spending plans, and is authorised to make financial decisions subject to these being consistent with the budget and policy framework and the Constitution.

Heads of service are responsible for ensuring the proper maintenance of financial procedures and records, and the security of assets, property, records and data within their service area.

The chief executive, strategic directors and heads of service consult with the head of finance and the head of legal and democratic services on the financial and legal implications of any report that they are proposing to submit to the full Council, a committee (or sub-committee), or Cabinet.

## RISK MANAGEMENT FRAMEWORK

Risk management is important to the successful delivery of our objectives. An effective risk management system identifies and assesses risks, decides on appropriate responses and provides assurance that the chosen responses are effective. Our risk management approach has been in effect since 2003. The overall responsibility for effective risk management in the council lies with the chief executive supported by the management team. We use a standard risk management methodology which encompasses the identification, analysis, prioritisation, management and monitoring of risks.

Councillors have a responsibility to understand the strategic risks that the council faces, and are made aware of how these risks are being managed through an annual report to the Audit and Corporate Governance Committee.

Management team is responsible for the identification, analysis and management of strategic risks and undertakes regular reviews of those risks. Management team also review the operational risk registers regularly.

We have operational risk registers in place for each service area and all heads of service are responsible for ensuring that risks are identified and prioritised and entered onto the risk register. We review and refresh the operational risk registers each quarter. We have mainstreamed and integrated the annual refresh of our risk registers with the annual service planning cycle, so that risk mitigation actions can be included in service plans.

All line managers are responsible for implementing strategies at team level by ensuring adequate communication, training and the assessment and monitoring of risks. All officers are responsible for considering risk as part of everyday activities and provide input to the risk management process.

We also have a robust approach to business continuity to ensure that priority services can continue to be delivered to our customers in the event of an unforeseen disruption.

#### **4.0 Review of effectiveness of the governance framework**

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the council who have responsibility for the development and maintenance of the governance environment, the internal audit manager's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

The following highlights our review of our governance framework and sets out the assurances of committees, officers and external organisations.

##### **REVIEW OF OBJECTIVES**

To ensure that we are doing the right things in the right way and for the right people, in 2007/08 South Oxfordshire District Council undertook a major review of the Corporate Plan. In doing this, the annual residents' survey asked customers to set out their priorities for improvement. In addition, workshops took place across the district when people were asked what they thought the council's priorities should be. Their feedback helped to guide the development of our four-year Corporate Plan and shape the new strategic objectives and corporate priorities. Each year the council reviews the Corporate Plan to ensure that it remains current in the years leading up to the four-yearly redrafting of the plan. We have a set of strategic objectives and 16 corporate priorities which provide a framework for the council's work.

##### **Action:**

Following the May 2011 elections to undertake a full review of our Corporate Plan.

##### **PERFORMANCE MANAGEMENT AND SERVICE PLANNING**

In recent years, we have looked to improve the consistency of performance management throughout the council. To do this, we published a performance management handbook, and promoted its uptake via an interactive intranet site. In



2009/10, we extended this to cover Vale of White Horse District Council. The updated performance management handbook is now available on the joint intranet. The handbook highlights the links between related functions such as corporate planning, service planning, reporting, risk management, budget planning and individual performance review. It also clarifies the annual cycle of all of the above, with a dynamic display of what actions are required in the current month, together with links to all months that show when various actions are due. The handbook also lists the key responsibilities of specific roles. It now reflects the new management structure and the harmonisation of processes. This harmonisation has resulted in considerable savings, both in effort, and financial cost.

The performance management handbook contains a data security policy. We implement this policy by assigning data owners to every National Indicator (NI) and Local Performance Target (LPT). For each NI, the performance officer collects signed statements each year from heads of service covering the methodology, calculation and outturn. Although NIs have now been discontinued, the same process will apply to the government's future data requirements when known.

In 2010/11, conscious that our traditional quarterly performance reports were quite dated by the time they had been through the committee reporting cycle, we introduced a monthly board report which contains a smaller set of key performance indicators selected by management team, and the Cabinets at South and Vale.

This graphically details performance in the main areas of council activity, namely:

- planning
- housing
- finance
- waste management
- benefits administration
- complaints management.

The board report also includes the performance of Vale Council. All charts consistently present:

- current performance
- last year's performance for comparison.
- year-end target
- latest year-end prediction by officers.

The board report is subject to a rigorous approval process, whereby it is checked firstly by heads of service as data owners, then by management team, and finally commented on by cabinet members at South and Vale. We then publish the report to the website of each council, and notify all councillors. Councillors may then request the addition of any aspects of poor performance to the agenda of the next Scrutiny Committee meeting. On a quarterly basis, councillors at Cabinet briefings at South and Vale discuss the report. The performance and projects manager attends these briefings, to provide further explanation of the report as required.

The report has been very well received by both councillors and senior management, and is constantly evolving to reflect management requirements. We have automated many of the graphs, so that they now take data directly from the underlying systems.

This has been achieved using free software, and this process of automation will continue in 2011/12. A further development scheduled for 2011/12 is 'drill-down', whereby the user may view the underlying data of a chart using a web-based graphical display. This will help further to explain good/bad performance.

We have continued our approach of asking target and action owners to forecast whether they are on track to deliver year end outcomes. For each target or action that is 'below target', we ask the owner to provide an action to get back on track.

The council's approach to performance management has received critical acclaim from an independent report by the Advanced Performance Institute in 2007. South Oxfordshire District Council has made significant progress over the past years and has implemented a performance management system based on clearly defined output deliverables and priorities.

We continue to operate a strong approach to service planning. In January 2009, we held two externally facilitated workshops for all (the then) heads of service and service managers, designed to make targets and actions SMART. Following the management restructure with Vale of White Horse District Council, we then implemented a combined approach to service planning from 2010/11.

We have continued to improve our performance management system to ensure that managers receive information to help them manage. We have created 'programmes' for cross-cutting themes such as equality and sustainability. This enables the programme managers to oversee actions owned by others and thus maximise the chances of the programme meeting its targets.

We are also working more widely with all the councils and other partners in Oxfordshire to harmonise our approach to performance management. In this work, we have jointly authored a partnership performance guide and a data sharing protocol to map the flows of data between organisations, and clarify roles. By this means, we can eliminate the risk of data inconsistency and duplication of effort, and provide a consistent set of management information that partners can use to drive improvement.

The combination of all of the approaches listed above is that the council has a strong focus on delivering priorities, managing performance against targets, and progressing actions.

## LEGAL FRAMEWORK

At its meeting on 16 July 2008, Council approved the creation of a shared senior management team with Vale of White Horse District Council. In September 2008, South Oxfordshire District Council's chief executive was appointed to the post of shared chief executive. In December 2008, strategic directors were appointed to the shared management team, in February 2009 shared heads of service were appointed and in April 2010 service managers took up their positions. At the outset of this shared process, the council's monitoring officer was satisfied that the procedure adopted in the recruitment process complied with all relevant legislation.

Section 113 of the Local Government Act 1972 allows a local authority to enter into an agreement with another local authority to place its officers at the disposal of another authority. Staff who are made available under such an arrangement are

able to take binding decisions on behalf of the council at whose disposal they are placed, although they remain an employee of their original authority for employment and superannuation purposes. This legislation therefore allows officers to be shared between the two councils. Council authorised the head of legal and democratic services to enter into an agreement under section 113 of the Local Government Act 1972 for this joint arrangement. The section 113 agreement was completed on 26 September 2008.

In September 2008, Council was asked to agree that all references to the chief executive, head of paid service, electoral registration officer and returning officer contained in the Constitution should apply to the shared chief executive when acting in those roles for each council with effect from 17 September 2008. Following the appointment of the strategic directors and heads of service in 2008 and 2009 respectively, a harmonised scheme of delegation to officers and harmonised contract procedure rules were introduced to meet the requirements of joint working with Vale of White Horse District Council.

Otherwise, the Constitution was reviewed twice during the year to ensure it is up to date. During the year, a review of the scheme of delegation was undertaken. In order to enhance the efficiency of decision-making within the budget and policy framework agreed by full council, more decision-making has been delegated to Cabinet members and officers.

The monitoring officer did not need to use her statutory powers during the year.

Part 3 of the Local Government and Public Involvement in Health Act 2007 (the Act) required all principal authorities to adopt either an elected mayor and cabinet or a new style 'strong' leader and cabinet. The council had to review its own arrangements by 31 December 2010. Full Council agreed to adopt the strong leader model, which the council will implement during the year with an updated scheme of delegation. In addition, further reviews of the governance arrangements with Vale of White Horse District Council will start during the year.

The Legal Services team was again awarded Lexcel in April 2011. This accreditation is a quality mark which the Law Society has developed and which is only awarded to legal practices that undergo rigorous independent assessment each year to ensure they meet the required standards of excellence in areas such as customer care, case management and risk management.

**Action(s):**

- To further review the Constitution to meet the requirements of good governance arising from the joint working arrangements with Vale of White Horse District Council.

## FINANCIAL FRAMEWORK

### FINANCIAL REPORTING

We produce budget monitoring information for both revenue and capital income and expenditure every month from June onwards during the financial year. We distribute budget monitoring reports from the financial management system, which are profiled, to heads of service and managers every month, within a week of the end of the period. This allows accountancy to ensure that the information is as up to date as

possible, for example by ensuring that all cash received up to the end of the previous period is reflected in the figures.

Every quarter, heads of service are required to submit a return to accountancy, which provides reasons for current variances, and forecasts the end of year outturn position.

We collate the heads of services' returns into a budget monitoring report which is considered by Cabinet. The layout and contents of the reports were developed to meet the specific requirements of the Cabinet member with responsibility for finance. These reports highlight the key variances being reported by each service, allowing management and Cabinet to focus on them. The quarterly budget monitoring reports to Cabinet are considered on the same Cabinet agenda as the quarterly performance monitoring reports, enabling Cabinet to consider the council's performance at the same time as it considers its budgetary position.

The Cabinet budget monitoring reports include details of any virements considered necessary within the quarterly budget monitoring reports. By making budget transfers in-year, we are able to realign resources to ensure that overspends do not impact on our ability to deliver other services. This is assisted by the prudent inclusion of a £300,000 contingency budget.

Budgetary control is subject to internal audit review every three to four years. Otherwise, budgetary control is generally reviewed in audits of teams or service areas.

For all committee reports for which a decision is required, a "financial implications" section is included which details the actual, and potential, financial consequences of the decision being taken. We ensure that this information is accurate and relevant by clearing it through an accountant.

On 29 June 2010, Audit and Corporate Governance Committee approved the council's financial statements for 2009/10, and an unqualified audit opinion was received on 28 September 2010, within the statutory deadline.

Officers keep up to date with the latest developments in accounting, which enable them to be prepared for the changes in accounting practice that affect the preparation and presentation of the financial statements. The chief accountant and two of the council's principal accountants attended a chief accountants' workshop, held by the Audit Commission in January and February 2011, which focussed on the 2010/11 accounts, which will be the first to be prepared under International Financial Reporting Standards (IFRS). The council also subscribes to the CIPFA finance advisory network (FAN) and accountants regularly attend FAN events, which enable them to be prepared for changes to the accounts. Accountants that attend training courses report back to the rest of the accountancy team on the content of the course.

Each year's accounts and annual audit letter are available to the public and are published on the council's web site. We can make them available in accessible formats. To assist the public in understanding the accounts, we have included an explanatory foreword in the financial statements that explains the purpose of the accounts and summarises the key messages arising from them. We have included a glossary of terms within the accounts to aid understanding.

## BUDGET MONITORING

Accountants meet with all service heads or their staff at least every quarter during the financial year to discuss performance against budget and to highlight areas of potentially significant over or under spend. We use this information to prepare the quarterly budget monitoring reports presented to Cabinet, and to substantiate any in-year budget transfers or supplementary estimates required to meet changing circumstances. The in-year monitoring of budgets enables the budget setting process to be based on the very latest estimates of income and expenditure.

Every year the council sets a comprehensive and balanced budget, which is proved to provide adequate resources by the absence of overspends against total budget in recent years.

The council's budget planning cycle is well established. We complete the annual budget for consideration by Cabinet in early February, before it is discussed and approved at full Council later that month. Scrutiny Committee reviewed the budget during December, and also in the period between its consideration by Cabinet and full Council during February. Throughout the budget setting process the council's financial position, and budget proposals, are regularly discussed informally by Cabinet and management team, which ensures that they have a good understanding of the financial situation.

When the budget is set, the monitoring of income and expenditure against budget continues throughout the financial year by both the corporate management team and councillors. Cabinet formally receives budget monitoring reports every quarter, culminating in an outturn report that reflects on the overall performance against budget for the previous year. These are based on returns provided by the heads of service.

## MEDIUM TERM FINANCIAL STRATEGY AND MEDIUM TERM FINANCIAL PLAN

Supporting the annual budget setting process, we produce a medium term financial strategy (MTFS), and a five-year medium term financial plan (MTFP) annually. The MTFS identifies the parameters within which the council's finances are managed, and states that new or additional expenditure will be agreed with reference to the council's priorities. We update it annually and it therefore keeps abreast of changes in the political and economic climate. We discuss its preparation with the Cabinet member for finance, and both Cabinet and Council agree it. It also underpins other council strategies, such as the capital strategy.

The MTFP provides a forward-looking budget model that estimates the council's budget needs in future years, and in the process also indicates the required level of savings needed in future years to balance the budget in accordance with the parameters enshrined in the MTFS. This is based on assumptions of the most likely levels of such critical factors as inflation, government grant funding, and the level of investment interest. These are subject to current uncertainty. We highlighted the impact of fluctuating interest rates on the investment income the council will earn in the MTFS through a sensitivity analysis, which took into account both the expected levels of interest rates, and the future level of council reserves and balances. We have included the risk of fluctuating interest rates in our risk register.

Based on the MTFP produced for 2010/11 budget setting, we were able to identify the level of savings that would be required to set the 2011/12 council tax to enable no increase in council tax to be made. To ensure that the council can continue to focus on delivering services more efficiently during difficult economic times, it has taken a pro-active approach to identifying and delivering efficiency savings. It has merged its management team with that of neighbouring district council Vale of White Horse and has embraced “Lean” business process re-engineering. This initiative, internally branded as “fit for the future”, will come to embrace all services, with the specific intention of delivering the current level of service more efficiently. For the first phase of this project, three services were subject to review during 2008/09, and the outcome was that over £550,000 of ongoing savings were realised. In 2009/10, a wide-ranging function review across all services identified over £600,000 of ongoing savings that have been built into the 2010/11 budget. These savings and others generated by service managers themselves, ensured that there was no increase in council tax for 2010/11 and this met the requirements of the MTFP. All the savings identified to date are reasonable, having been subject to review by the management team and Cabinet. For the third phase of the project, four services were reviewed and, as a result of this review, a further £290,000 of ongoing savings have been realised.

The council’s policy on reserves and balances is enshrined in the MTFP, which councillors approve. The budget report we present to Cabinet includes a summary of the estimated balance on key reserves at the end of the capital programme period. Assumptions underpinning the estimates of reserves are reasonable.

The council communicates key messages from its financial planning process to staff and stakeholders. New staff undertake an induction process that includes an introduction to local government finance module. This makes staff aware of how the council’s budgets are constructed and of the financial pressures the council faces. For line managers, a separate module goes into more detail on the financial planning process, and covers their responsibilities. In 2010 we held a series of presentations for staff to explain the budget process and the pressures the council faces as part of the budget setting process. We also sought the views of stakeholders during the budget process. We held a consultation workshop for council taxpayers to discuss budget issues and, for the business community, we held a business breakfast. We seek feedback on all of these mechanisms to what value staff and stakeholders place on these activities.

## TREASURY MANAGEMENT STRATEGY

The council’s treasury management strategy, which council agrees annually, sets out the council’s policy on managing its investments, which ensures that it has sufficient cash to meet its needs, and that returns are maximised whilst maintaining the security of the council’s assets. The strategy has regard to the Code of Practice for Treasury Management, and the CIPFA Prudential Code. We report performance against the strategy to Council annually.

The council enjoys a healthy financial position. We have significant reserves that generate interest income, which we use to support both the revenue budget and the capital programme. The council takes a prudent approach to its use of investment interest, by using it in the year after it is earned. This means that we will use the interest earned during the 2010/11 financial year to support the 2011/12 revenue budget. This provides a more stable platform on which to plan, and means that the

dramatic falls in interest rates that have been experienced in recent times do not impact on in-year service delivery.

In February 2010, Cabinet agreed that the Audit and Corporate Governance Committee would take responsibility for ensuring effective scrutiny of the treasury management strategy, policies and performance in accordance with the CIPFA Prudential code and CIPFA Treasury management code, which were revised in December 2009.

All the arrangements detailed above demonstrate that the Cabinet and corporate management team exercise collective responsibility for financial matters. All members of the corporate management team accept individual and collective responsibility for the stewardship of use of resources and financial accountability.

#### COMMENT ON THE ROLE OF THE CHIEF FINANCE OFFICER

The council has reviewed its financial management arrangements to ensure that they conform with the requirements of CIPFA's Application Note to Delivering Good Governance in Local Government on the *Role of the Chief Financial Officer in Public Service Organisations*.

The section 151 officer, or chief financial officer, has a responsibility to ensure that an effective internal audit function is resourced and maintained. The council has an in-house internal audit team, which comprises of an audit manager and three auditors. The council requires internal audit to provide an effective service in accordance with professional standards, and internal audit officers must abide by the Institute of Internal Auditors Code of Ethics and receive suitable training and development to maintain the appropriate skills, experience and competence. The performance of internal audit is subject to quarterly review by the Audit and Corporate Governance Committee.

#### COUNCILLORS' AND SENIOR OFFICERS' DEVELOPMENT

We offer councillors a comprehensive induction programme. As a result of the May 2011 elections the council has 17 new councillors. Soon after election, councillors were invited to an induction evening to sign their declarations of acceptance of office and to sign up to the code of conduct. At the induction session, councillors met the service teams and also indicated their training needs. Training sessions on planning and licensing have already been scheduled with needs assessment taking place in order to provide further relevant training. Members of the Audit and Corporate Governance Committee have received a self assessment questionnaire so that we can focus training on their needs.

Senior officers take part in induction sessions with all staff. Their development opportunities include support towards a nationally recognised qualification e.g. MBA. They can take part in the Common Purpose Matrix (a county wide senior management development programme) and they can attend programmes such as *aiming to be a corporate director*. Attendees evaluate these programmes, provide feedback at the end of each session and line managers review training during the appraisal and formal one to one process.

The senior management team has attended several workshops to clarify their roles and responsibilities and their interactions between the politicians across the two

councils. This was to ensure that they provided clear and consistent leadership for the two organisations.

Heads of service attended a workshop to draw on experiences of other local authorities in developing approaches to shared services and to build consistency of approach amongst the heads of service in their service reviews.

We launched a management development programme (Mastering Management) for the recently appointed shared service managers in 2010/11. This included a module on Leading Impact and Influence that covered skills to influence others, work collaboratively and to have challenging and difficult conversations. Another module was on Leading Performance that covered skills to raise performance within their teams. There were also joint workshops with heads of service and management team that covered Leading Change and Leading Teams.

As part of the programme, the service managers have been mentored by heads of service and the senior management team to support them in their new role of managing services across two councils.

The council will continue to develop councillors' roles through a councillor and committee excellence review. It will be undertaken as a shared review with Vale of White Horse District Council. The review will result in actions to develop the effectiveness of councillors in their different roles. It will have the added objective of making decision making in Council and committee meetings more effective. The review will encourage councillors to engage in training to meet their needs as well as the council's needs.

During 2011 / 2012 senior managers and service managers will be offered further opportunities to consolidate their management development following the Mastering Management programme.

## INTERNAL AUDIT AND THE INTERNAL AUDIT MANAGER

Internal audit is an independent assurance function that primarily provides an objective opinion on the degree to which the internal control environment supports and promotes the achievements of the council's objectives. It assists the council by evaluating the adequacy of governance, risk management, controls and use of resources through its planned audit work, and recommending improvements where necessary.

The internal audit manager contributes to the assurance process by commenting on the effectiveness and outcome of the programme of internal audits and comments on the effectiveness of the internal control environment of the council. The internal audit services are now completely harmonised with Vale of White Horse District Council.

The internal audit manager's overall opinion offers satisfactory assurance on the basis of internal audit's own work. There is basically a sound system of internal control in place, but there are some weaknesses, which may put some system objectives at risk.

Internal audit is committed to providing anti fraud and corruption training, however this was postponed due to the audit manager being on maternity leave in 2010/2011.



During 2010/2011, the internal audit team have undertaken proactive anti fraud compliance testing to evaluate whether the control environment is sufficiently robust and to highlight areas of concern with regards to fraud and corruption issues.

Internal audit offers assurance that it has complied with the CIPFA Code and a formal quality assurance programme continues to be in place. Internal audit has completed a self-assessment against the code to identify areas for further improvement and actions arising from the self assessment have been incorporated into the activities of the internal audit team.

<b>Action:</b> Anti fraud and corruption training will be offered to councillors and officers in 2011/2012.
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## RISK MANAGEMENT

We harmonised our risk management approach with Vale of White Horse District Council and the harmonisation process allowed us to enhance our approach to risk management by incorporating recommendations made by internal audit and considering the comments made by the Audit Commission during their use of resources review. We revised our Risk Management Strategy to incorporate the harmonised approach and also to create a joint strategy for both councils. Cabinet approved the strategy on 2 July 2009.

The new risk management approach ensures that all risks are linked to strategic objectives, the likelihood and impact is assessed, the gross and net risk are identified and responsibility for mitigating actions is assigned to appropriate officers. We have designated risk champions for all services' areas who refresh the operational risk registers quarterly, which heads of service review. Any mitigating actions required for operational risks are included in service plans where appropriate. The process requires management team to regularly review the strategic risk registers and also requires us to present a report detailing the contents of operational risk registers to Audit and Corporate Governance Committee.

We have a strategic risk register, owned by management team, with clear links between risks and strategic objectives and the new process requires management team to review the strategic risk register. We updated the strategic risk register in August 2009 and assigned responsibility for implementing the required mitigating actions to either one of the strategic directors or the chief executive. We presented the strategic risk register to Audit and Corporate Governance Committee on 29 September 2009 with a further update in March 2010. We will take the annual update report to Committee during quarter two in 2011/12.

Members of Audit and Corporate Governance Committee have received training and risk management is included in the induction package given to new employees. Guidance documents and procedures are available to all staff via a designated risk management area on the council's intranet. The council has designated risk champions who receive training as required and the corporate risk officer supports the champions in their duties.

Management team has identified partnerships as a strategic risk and included this in the strategic risk register. The council's partnership manager has included partnership risks within the service team's operational risk register.

Risk management has been incorporated into the council's approach to writing report synopses where officers are required to detail the risks that the council faces in making its decision.

Action: to consider whether to undertake a separate exercise to address partnerships as a strategic risk in that we look at the process of how we currently manage and respond to partnership risks and how we mainstream this process into the quarterly management review of existing operational risk registers.

## ANTI-FRAUD AND CORRUPTION, WHISTLEBLOWING AND MONEY LAUNDERING

Internal audit's rolling audit plan includes areas such as gifts and hospitality and the register of interests. A pro-active anti-fraud review is completed each year, and testing will identify if existing management controls are sufficient. The council raised the profile of the anti-fraud and corruption and whistleblowing policies by increasing their visibility through inclusion on the council's website and the inclusion of anti-fraud and corruption arrangements in induction packages for new employees.

The council actively participates in the National Fraud Initiative; publicises successful cases of fraud; has effective working arrangements; and, shares intelligence with relevant partner organisations e.g. the Police, Department for Work and Pensions and the Housing Benefit Matching Service. The council has a good record of prosecuting fraudsters and administration of penalties and cautions. It undertakes active recovery of fraudulent overpayments and ensures policies are applied consistently.

The internal control arrangements in place include the Constitution, the provision of an internal audit service, the presence of an Audit and Corporate Governance Committee, transparent governance reporting through an assurance framework and compliance with relevant laws and regulations.

The risk of money laundering to the council remains low. However, the council has a money laundering policy and procedures and has designated the section 151 officer to be the council's Money Laundering Reporting Officer.

### **Actions:**

During 2011/12 the Democratic Services and Internal Audit teams will review money laundering procedures, harmonise them with Vale of White Horse District Council and arrange training for relevant staff.

The Bribery Act came into force on 1 July 2011. The council will incorporate the requirements of the Bribery Act 2010 within the anti-fraud and corruption policy and raise awareness of the Act amongst councillors and staff.

## BUSINESS CONTINUITY

We started a full review of our business continuity arrangements during 2009/2010 to take into account the recent management restructure and the decision to rationalise the business continuity arrangements between South Oxfordshire District Council and Vale of White Horse District Council. We had a project plan to guide us through the process and included the review within our service plan. We produced a joint business continuity strategy with Vale of White Horse District Council, which is now

in place and have business continuity plans supported by the disaster recovery plan and the crisis management plan. We have a timetable for the review of business continuity plans. We undertook work in relation to our disaster recovery site as our existing contract was coming to an end and we extended the current contract for a year to allow time to look at the possibilities of having a joint disaster recovery site with Vale of White Horse District Council. All contract specifications include a requirement for potential suppliers to provide the council with details of their business continuity arrangements.

## AUDIT AND CORPORATE GOVERNANCE COMMITTEE

Our Audit and Corporate Governance Committee undertakes the core functions of an audit committee as set out in CIPFA's Audit Committees – Practical Guidance for Local Authorities (2005), as set out below.

- To consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
- To seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
- Be satisfied that the authority's assurance statements, including the Statement on Internal Control (Annual Governance Statement), properly reflect the risk environment and any actions required to improve it.
- To scrutinise and approve (but not direct) internal audit's strategy, plan and monitor performance.
- To review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- To receive the annual report of the head of internal audit.
- To consider the reports of external audit and inspection agencies.
- To ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- To review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.
- To ensure the treasury management strategy, policies and performance comply with prescribed guidance

Following the election of new councillors in May 2011, we will again ask committee members to undertake a self assessment so that we understand committee members' training needs. Committee members and substitutes, will be asked questions about their understanding of internal and external audit, risk management and finance and will also evaluate their own knowledge to carry out their role.

Action: to ask committee members to undertake a self assessment so that we understand committee members' training needs
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## THE SCRUTINY COMMITTEE

Arising from the Fit for the Future review of functions, the council has further decided to improve the effectiveness of the scrutiny function and have one scrutiny committee with effect from May 2010. This committee continues to help develop council policy and reviews performance in meeting council objectives.

## STANDARDS COMMITTEE

The council adopted a new code of conduct in 2007. As the need arises, officers have delivered training on the code of conduct to district and parish and town councillors as well as parish and town clerks.

The committee continues to carry out the local assessment of code of conduct complaints. The committee is made up of four district councillors, three independent representatives and two parish representatives. Following the resignation of two parish representatives during the year, the committee has two vacancies. Consideration will be given to filling these vacancies during a year that will see transition arrangements for the committee pending the abolition of the standards framework.

Table 1 below summarises the actions taken by the Standards Committee on receipt of complaints against district, town and parish councillors from 2008 to 2011.

**Table 1: Complaints and investigations: district and parish councillors, 2008 to 2011**

		2008/09	2009/10	2010/11
	PARISH COUNCILLORS			
1	Complaints against parish councillors <i>No investigation</i>	1	5	2 <sup>3</sup>
2	Complaints against parish councillors <i>Referred for investigation</i>	0	1 <sup>2</sup>	4 <sup>4</sup>
	DISTRICT COUNCILLORS			
3	Complaints against district councillors <i>No investigation</i>	29 <sup>1</sup>	0	0
4	Complaints against district councillors <i>Referred for investigation</i>	1	0	0

Footnotes to the table

1. This was one complaint against 29 councillors, which had to be registered as 29 complaints with Standards for England.
2. Following investigation and consideration by the Standards Committee, the councillor was found not to have breached the code of conduct.
3. This was one complaint against two councillors.
4. Whilst there were four complaints they were against the same councillor who, following investigation and consideration by the Standards Committee, was found not to have breached the code of conduct.
5. In relation to items 1 and 3 the complainant had a right to request a review of the assessment panel's decision not to refer the case for investigation. In 2008/09 and 2010/11 no complainant(s) requested a review of the assessment decision. In 2009/10 one complainant requested a review.
6. In relation to 4 (2008/09), at the subsequent hearing, the committee found that the councillor did fail to comply with the code of conduct.

## EXTERNAL SOURCES OF ASSURANCE ON THE GOVERNANCE FRAMEWORK

Issues raised by our external auditor, the Audit Commission, and other external inspectors are used to identify improvement areas in our governance arrangements. There was one issue identified in 2009/10 relating to the certification of grant claims.

The council receives more than £26 million funding from various grant-paying departments. The grant-paying departments attach conditions to these grants and the council must show that it has met these conditions. If the council cannot provide

evidence, the funding can be at risk. It is therefore important that the council manages certification work properly and can demonstrate to the Audit Commission that the relevant conditions have been met.

In March 2010 the Audit and Corporate Governance Committee considered the Audit Commission's certification of annual claims and returns and action plan: the claim having been qualified for the second year due to inaccuracies in both benefits calculations and in classification of overpayments of benefits. The council may lose subsidy due to the extent of local authority error leading to overpayments in 2008/09. An action plan has been developed to ensure that the council meets the conditions relating to grants.

In our 2009/10 Annual Governance Statement, the council undertook to implement the activities to ensure that the council met the conditions relating to grants, as set out in the action plan presented to the Audit and Corporate Governance Committee in March 2010.

#### LOCAL GOVERNMENT OMBUDSMAN

The Local Government Ombudsman (LGO) provides summary information on complaints about South Oxfordshire District Council to enable the council to incorporate any feedback into service improvement.

The letter dated 31 March 2010, considered by the Audit and Corporate Governance Committee in September 2010, shows that the Ombudsman *received* 14 complaints (22 in 2008/09) during the year. However, a change in the way the Ombudsman operates means that the statistics cannot be compared with previous years. In relation to the complaints received during the year, the LGO treated three of the complaints as premature thus referring the complainants to the council. In a further two cases advice was given. The remaining nine complaints were referred to the investigation team of which three were premature complaints.

In relation to complaints received before 2009/10, the LGO took decisions on 15 complaints. In 11 cases the LGO found no or insufficient evidence of maladministration. One complaint was outside the LGO's jurisdiction. In three cases, the LGO exercised discretion not to investigate a further three cases.

Having made enquiries of the council on seven complaints, the LGO commended the council for its improved response time to complaints, which was 24.9 days (34.5 days 2008/09, 29.5 days in 2007/08) and was within the 28 day target.

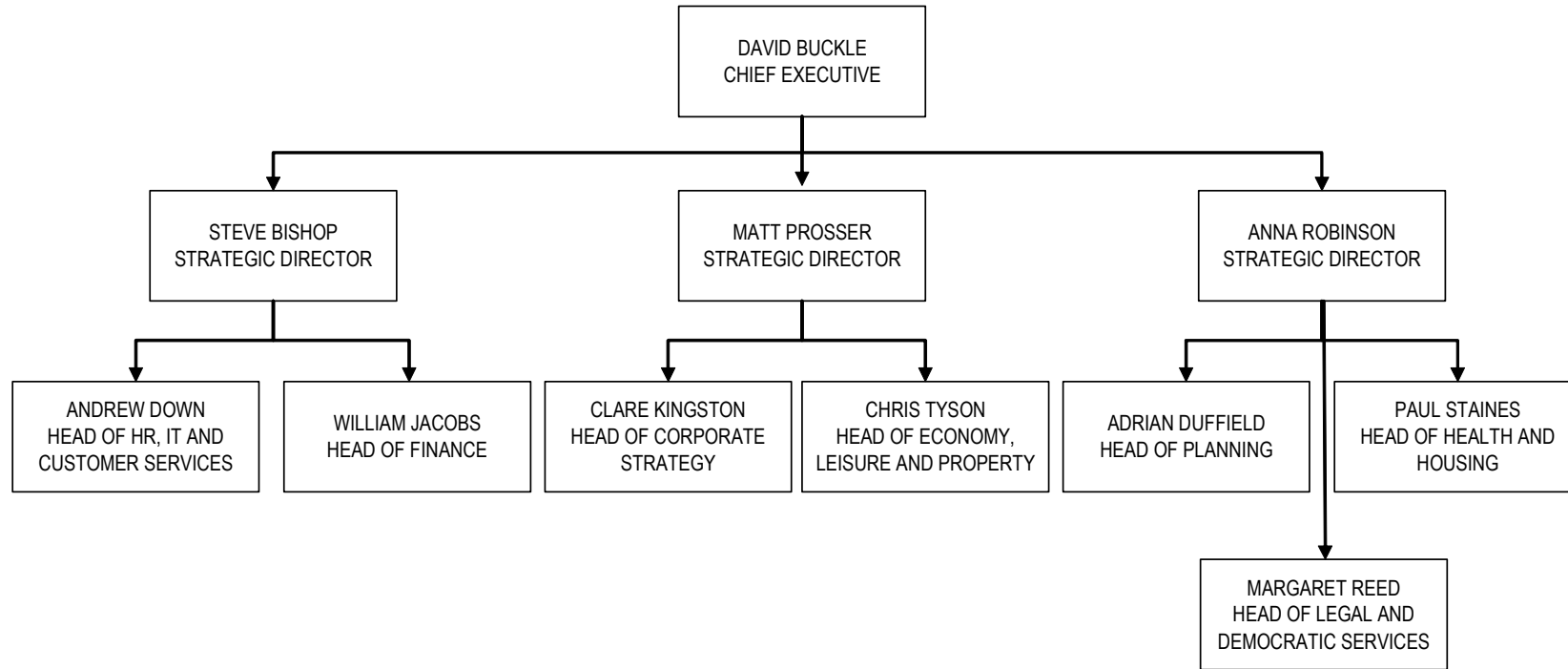
### 5.0 Significant governance issues

We propose over the coming year to take steps to address the matters set out in the action boxes above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signature		Date	
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	David Buckle Chief Executive		
Signature		Date	
	Ann Ducker Leader of the Council		

## Appendix 1: South Oxfordshire District Council management structure<sup>2</sup>



<sup>2</sup>

All posts are shared with Vale of White Horse District Council.