

# Agenda



Contact Officer: Ron Schrieber, Democratic Services Officer

Tel: 01235 422524

E-mail: [ron.schrieber@southandvale.gov.uk](mailto:ron.schrieber@southandvale.gov.uk)

Date: 19 September 2018

Website: [www.southoxon.gov.uk](http://www.southoxon.gov.uk) [www.whitehorsedc.gov.uk](http://www.whitehorsedc.gov.uk)

## A MEETING OF THE

# Joint Audit and Governance Committee

**WILL BE HELD ON THURSDAY 27 SEPTEMBER 2018 AT 6.15 PM OR ON THE RISING OF THE PRECEDING MEETING OF THE SOUTH CABINET**

**MEETING ROOM 1, 135 EASTERN AVENUE, MILTON PARK, MILTON, OX14 4SB**

### Members of the Committee:

South Oxfordshire District Council  
Ian White (Co-Chairman)  
Toby Newman  
Alan Thompson  
John Walsh

Vale of White Horse District Council  
Simon Howell (Co-Chairman)  
Mike Badcock  
Dudley Hoddinott  
Chris Palmer

### Preferred Substitutes

South Oxfordshire District Council  
Joan Bland  
David Nimmo-Smith  
Robert Simister  
Vacancy

Vale of White Horse District Council  
Yvonne Constance  
Helen Pighills  
Judy Roberts  
Henry Spencer  
Reg Waite  
Catherine Webber

**Alternative formats of this publication are available on request. These include large print, Braille, audio, email and easy read. For this or any other special requirements (such as access facilities) please contact the officer named on this agenda. Please give as much notice as possible before the meeting.**

## **1 Apologies for absence**

To record apologies for absence and the attendance of substitute members.

## **2 Minutes** (Pages 4 - 8)

To adopt and sign as a correct record the Joint Audit and Governance Committee minutes of the meeting held on 12 July 2018 (attached).

## **3 Declarations of interest**

To receive any declarations of disclosable pecuniary interests in respect of items on the agenda for this meeting.

## **4 Urgent business and chairman's announcements**

To receive notification of any matters which the chairman determines should be considered as urgent business and the special circumstances which have made the matters urgent, and to receive any announcements from the chairman.

## **5 Public participation**

To receive any questions or statements from members of the public that have registered to speak.

## **6 External auditor's audit results report 2017/18**

To consider the report of the external auditor (to follow).

## **7 Statement of Accounts 2017/18**

To consider the report of the head of finance/senior business partner (Capita) (to follow).

## **8 Annual Governance Statement 2017/18 - South Oxfordshire** (Pages 9 - 29)

**RECOMMENDED:** To approve South Oxfordshire District Council's Annual Governance Statement 2017/18 (attached) to form part of the statement of accounts.

## **9 Annual Governance Statement 2017/18 - Vale of White Horse** (Pages 30 - 50)

**RECOMMENDED:** To approve Vale of White Horse District Council's Annual Governance Statement 2017/18 (attached) to form part of the statement of accounts.

**10 Treasury outturn 2017-18** (Pages 51 - 72)

To consider the report of the head of finance/senior business partner (Capita), (attached).

**11 Letter of Representation to the external auditor - South Oxfordshire**

**RECOMMENDED:** to agree that the co-chairman from South Oxfordshire District Council signs the letter of representation to the external auditor (to follow).

**12 Letter of Representation to the external auditor - Vale of White Horse**

**RECOMMENDED:** to agree that the co-chairman from Vale of White Horse District Council signs the letter of representation to the external auditor (to follow).

**13 Work programme** (Pages 73 - 77)

To consider the work programme (attached)

MARGARET REED

Head of Legal and Democratic

# Minutes



OF A MEETING OF THE

## Joint Audit and Governance Committee

HELD ON THURSDAY 12 JULY 2018 AT 6.30 PM  
MEETING ROOM 1, 135 EASTERN AVENUE, MILTON PARK, MILTON,  
OX14 4SB

### Present

Members:

South Oxfordshire District Councillors: Alan Thompson, John Walsh and Ian White

Vale of White Horse District Councillors: Simon Howell (Chairman), Mike Badcock, Dudley Hoddinott, Simon Howell, Chris Palmer, Alan Thompson, John Walsh and Ian White

### Apologies:

South Oxfordshire Councillor Toby Newman tendered apologies.

### Officers

Sandy Bayley, David Fairall, Simon Hewings, William Jacobs, Adrianna Partridge and Ron Schrieber and Mark Stone

### Also present:

Clare Dorey, Brian McClurg and Raj Patel, Capita

## 1 Minutes

**RESOLVED:** to adopt as a correct record the minutes of the committee meeting held on 26 March 2018 and agree that the chairman signs them as such.

## 2 Declarations of interest

None.

## 3 Urgent business and chairman's announcements

The chairman reported that it had again been necessary to defer submission of the internal audit review of the five councils' partnership governance arrangements to a future meeting as the inter-authority agreement had yet to be confirmed.

The committee accepted the chief executive's assurance that negotiations were in accordance with the committee's requests.

#### **4 Public participation**

None.

#### **5 Payroll key performance indicators (KPIs), progress report and rectification plan**

Further to Minute 57 of the meeting held on 26 March, Capita had submitted the payroll key performance indicators (KPIs) for the last six months, a progress report on the implementation of recommendations made by internal audit and the rectification plan.

Representatives of Capita attended to introduce the item and to answer members' questions.

The committee was informed that the overall target for payroll performance applied across the partnership rather than to individual councils. There were 20 elements to each employee's pay; if there was an error in just one element for one individual this might constitute a failure to meet the KPI. However there had been a steady improvement in performance over the last six months.

In response to members' questions, the committee was advised that:

- The relocation of the service to Belfast had had no detrimental effect on performance; and
- The rectification plan actions were now complete but required sign off by all clients. This was expected in the near future.

With regard to the implementation of the internal audit recommendations, the interim internal audit manager reported that 7 of the 14 recommendations had been closed, 4, which were stated as implemented were awaiting sign off by internal audit, and 3 had not yet reached the implementation date.

**RESOLVED:** to note the KPIs, progress report and rectification plan.

#### **6 Impact of Capita restructuring of accountancy service on completion of statement of accounts**

At its meeting on 26 March 2018 (Minute 53 refers), the chairman had expressed concern about the timing of Capita's proposed restructuring of the accountancy team and its potential impact on the completion of South and Vale's statement of accounts. Accordingly, he had asked officers to report back to the committee on this matter.

The head of finance reminded the committee that, at that meeting, it had been reported that progress on the completion of the accounts had been on track. Since then both councils' draft accounts had been completed in accordance with the statutory timetable. However, he tabled a letter from the external auditors dated 11 July, stating that the "query

log” had not been sufficiently addressed to allow them to conclude the audit and it had been postponed.

The head of finance reported that the external auditors had not expressed any concerns about the accuracy or quality of the accounts. The issue was the delay in responding to their inquiries.

In response to member’ questions, Capita’s representative stated that the restructure did not impact upon the accountants’ ability to complete the accounts and that deadlines had been met. The problem had arisen due to a misunderstanding about the deadline by which EY required additional information.

The chief executive reported that the consequence of the councils’ failure to meet the statutory deadline was reputational damage. He was due to meet with EY’s associate partner on 24 July to discuss the way forward.

The committee asked for further information on what had led to the suspension of the audit and the chairman requested that the query log be circulated. The committee requested that the audit be concluded as quickly as possible and asked for some assurance that this year’s events would not be repeated.

Following further discussion, it was agreed that the co-chairs should attend the meeting with EY on 24 July and that, following this, they should agree the way forward, including a communications strategy.

On behalf of the committee, the chairman thanked Capita for attending and expressed regret at EY’s failure to send a representative to outline their version of events.

**RESOLVED:**

1. To request EY and Capita to identify, as a matter of urgency, the actions which need to be taken to ensure that the external audits are completed as soon as possible; and
2. To accept the officers’ assurance that there is no reason to believe that EY had any concerns about the accuracy and quality of the accounts.

## **7 Internal audit management report quarter one 2018/2019**

The committee considered the internal audit manager's management report on internal audit for the first quarter of 2018/19.

The committee noted that internal audit continued to carry a vacancy and that the two-month period of reduced capacity, allowed for in the 2018/19 audit plan, had been exceeded. An internal audit manager had been appointed and would take up the post in September.

**RESOLVED:** to note the internal audit management report for the first quarter of 2018/19.

## **8 Internal audit activity report quarter one 2018/2019**

The committee considered the interim audit manager's report on internal audit activity during the first quarter 2018/19. This summarised the outcomes of recent audit activity.

Ten audits had been completed during the quarter, one of which had received limited assurance.

### **Creditors 2017/2018**

The committee considered the main findings and recommendations of the internal audit report. Officers and representatives of Capita attended to provide further updates and answer members' questions.

The committee expressed concern about the apparent lack of control mechanisms in place to ensure that no duplicate payments were made. It also noted that, of the ten recommendations made in the March 2017 internal audit review, five had been restated and urged Capita to ensure that they were implemented as soon as possible.

### **Overdue recommendations**

The committee was advised that the update and relaunch of the recommendations database for monitoring and reporting overdue recommendations had been delayed as, following on from the management restructure, not all service teams were in place.

**RESOLVED:** to note the internal audit activity report for the first quarter 2018/19.

## **9 Internal audit annual report 2017/2018**

The committee considered the interim audit manager's annual report on internal audit activity during 2017/18.

It was the interim audit manager's unqualified opinion that, based on the areas reviewed during the year, satisfactory assurance could be placed on both councils' general risk management, control and governance processes. Overall, there was basically a sound system of internal control at both councils, but there were some weaknesses which might put some system objectives at risk. There had been a slight improvement in the control environment within key financial systems across both councils since 2016/2017.

The committee noted the improvement in internal audit assurance ratings in 2017/18 and, on behalf of the committee, the chairman thanked Sandy Bayley for the effective way in which she had undertaken her role pending the appointment of an internal audit manager.

**RESOLVED:** to note the internal audit annual report 2017/18.

## **10 Work programme**

The committee considered the work programme and noted that, in view of the external auditor's decision to postpone the completion of the external audits (Minute 6 refers), the items scheduled for the 30 July meeting were likely to be deferred to a later date.

The meeting closed at 8.30 pm

Chairman

Date





# Annual Governance Statement 2017/18

## CONTENTS

<b>Scope of responsibility .....</b>	<b>2</b>
<b>The purpose of the governance framework .....</b>	<b>3</b>
<b>The governance framework .....</b>	<b>3</b>
The strategic planning framework .....	4
Performance management framework .....	6
Legal framework .....	6
Financial framework .....	7
Risk management framework.....	7
<b>Review of effectiveness of the governance framework .....</b>	<b>8</b>
Review of objectives.....	8
Performance management and service work planning .....	9
Legal framework.....	10
Financial framework .....	11
Councillors' and senior officers' development.....	14
Internal audit and the internal audit manager .....	15
Risk management.....	16
Anti-fraud, bribery, money laundering and whistleblowing .....	16
Business continuity.....	17
Joint Audit and Governance Committee.....	17
Scrutiny Committee .....	18
Councillors' code of conduct .....	18
External sources of assurance on the governance framework .....	18
<b>Current governance issues .....</b>	<b>19</b>
Appendix 1: Action Plan	21

## Scope of responsibility

1. 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.
2. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in exercising its functions, having regard to a combination of economy, efficiency and effectiveness.
3. 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.
4. The council has in place corporate governance arrangements, and has adopted a local code of governance. 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 and the Society of Local Authority Chief Executives, which was published in 2007.
5. This statement explains how South Oxfordshire District Council has complied with its code of governance, and how the council met the requirements of regulation 6 of the Accounts and Audit Regulations 2015, in relation to an annual review of the effectiveness of the council’s systems of internal control, and the preparation and approval of an annual governance statement.
6. 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  
135 Eastern Avenue  
Milton Park  
Milton  
Abingdon  
OX14 4SB

Tel. 01235 422520

Email: [democratic.services@southandvale.gov.uk](mailto:democratic.services@southandvale.gov.uk)

## The purpose of the governance framework

7. The governance framework comprises the systems, processes, culture and values, by which the council is directed and controlled, and activities through which it accounts to, engages with and leads the community. The governance framework enables the council to monitor achievement of its strategic objectives and to consider whether those objectives have delivered appropriate, cost-effective services.
8. 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 the council's objectives, and therefore can 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 risks to the achievement of the council's 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.
9. The council has had the governance framework described below in place for the year ended 31 March 2018 and up to the date of approval of the 2017/18 statement of accounts in July 2018.

## The governance framework

10. 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 the budget.
11. The council has executive arrangements in place consisting of a cabinet, a scrutiny committee and a joint scrutiny committee with Vale of White Horse District Council. Cabinet is responsible for proposing the budget and policy framework, and implementing it once approved by Council. The scrutiny function allows a committee to question and challenge the policy and performance of Cabinet and promote public debate.
12. The chief executive advises councillors on policy and procedures to drive the aims and objectives of the council. As head of the officer staff, the chief executive oversees the employment and conditions of staff. The chief executive leads a strategic management team that is shared with Vale of White Horse District Council. The former chief executive left the council in June 2017 and Mark Stone was appointed acting chief executive from 1 July 2017, and as permanent chief executive from 1 January 2018. The chief finance officer, the monitoring officer and other heads of service are responsible for advising Cabinet and scrutiny committees on legislative, financial and other policy considerations to achieve the council's objectives, and are responsible for implementing councillors' decisions.
13. The governance framework for 2017/18 was based on our local code of governance. Within the framework the council aims to meet the principles of good governance in all aspects of its work, giving particular attention to the main principles:

- Focusing on the council's purpose 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
- 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

14. To ensure the council does the right things, in the right way, for the right people, in a timely, inclusive, open, honest, cost-effective and accountable manner, the strategic planning framework incorporates residents' and service-providers' views as well as national and local priorities.
15. The council's strategic objectives and corporate priorities, are set out in their Corporate Plans which were adopted on 14 April 2016. For 2017/18 these were:

### **Invest in the district's future**

- Create the right conditions for economic growth, so that businesses, residents and workers can prosper
- Seek to further improve Broadband and mobile phone coverage
- Provide new Leisure facilities
- Secure our Financial Future

### **Unlock the potential of Didcot**

- Unlock the potential of Didcot through the garden town initiative

### **Homes and jobs for everyone**

- Deliver the right balance of types and tenure of housing, including low cost and starter homes
- Facilitate sustainable communities
- Reduce homelessness
- Optimise employment opportunities

### **Build thriving communities**

- Make communities clean and safe
- Help people to be healthy and active
- Support communities to help themselves

### **Services that reflect residents' needs**

- Engage with residents and service users to ensure that services and facilities reflect their needs

**Be tough on enforcement**

- Take a proactive approach to planning enforcement
- Maintain high standards in food safety
- Continue to take action on flytipping, dog fouling and litter.

16. The four-year Corporate Plan guides decisions on how the council invests financial and staffing resources. This plan determines the types of projects the council supports through grant funding. Arising from the Corporate Plan, there is a detailed corporate delivery plan, identifying how services undertake specific activities to deliver the council's priorities.

17. The council's work with partners takes place both locally to address local issues and also through some formal partnerships, which may be either service specific or more broadly strategic. These key formal partnerships include:

- South and Vale Community Safety Partnership - this focuses on joint working to prevent, reduce and tackle crime and disorder and addresses broader community safety issues affecting local people. It has an annual plan that sets out the partnership's key aims and objectives for the year and is available on the council's website.
- Oxfordshire Local Enterprise Partnership (OxLEP) – this is a body made up of representatives from business, academia and the wider public sector. The partnership's aim is to be the catalyst for realising Oxfordshire's economic and commercial potential. The partnership is responsible for delivering the Science Vale enterprise zones and Didcot Growth Accelerator enterprise zones.
- Oxfordshire Growth Board - this is a statutory committee comprising representatives of Oxfordshire County Council and each of the district councils in Oxfordshire, as well as a number of non-voting members. Its purpose is to facilitate and enable collaboration between local authorities and OxLEP on economic development, strategic planning and growth.

18. Our other key strategies include:

- The development plan for South Oxfordshire which comprises:
  - The existing core Strategy (including the "saved policies" of the South Oxfordshire Local Plan 2011) until it is replaced by the Local Plan 2033.
  - "Made" (adopted) Neighbourhood Development Plans prepared by local communities.
  - Any Development Planning Documents relating to minerals and waste prepared by Oxfordshire County Council.
  - The Local Plan which provides the strategic planning framework for South Oxfordshire and sets out the high-level vision for the district. It sets out the overall amount of new development in the district and the locations for housing, employment, shopping and transport. It also allocates strategic sites and sets out what infrastructure is needed. There is an emerging version of the Local Plan which covers the period 2011-2033, but has yet to be submitted for examination and adopted.

- Equality objectives: the council has set equality objectives in line with the requirements of the Equality Act 2010 and to support the delivery of the council's Corporate Plan priorities – these are published in the plan.
- Boosting the local economy: supporting the district's 8,010 small to medium (SME) businesses to overcome their barriers to growth has been the focus of the development of the Business and Innovation Strategy 2017-2020 and associated "SO Business" brand. The strategy and associated action plan sets out how the council will help businesses to grow and contribute to a vibrant local economy. There are four main areas of focus for the action plan: helping businesses work smarter through improved access to superfast broadband, ensuring there is sufficient business space for businesses to grow, supporting businesses with skills and employment issues and improving our communications with businesses to meet their needs.

#### PERFORMANCE MANAGEMENT FRAMEWORK

19. The council sets performance targets to achieve its strategic objectives and corporate priorities set out in the Corporate Plan. To ensure the council meets targets and achieves objectives, it has a corporate delivery plan, and staff have individual workplans and targets, ensuring that a *golden thread* aligns the council's top-level objectives to the work of each council officer.
20. The council will measure performance on its corporate plan through regular reports to Cabinet members and six-monthly reports to the Scrutiny Committee. The strategic management team and Cabinet receive monthly board reports which monitor performance on a basket of key measures; and an annual report which benchmarks our performance against other relevant district councils.
21. The council has an individual development and performance review scheme focusing on agreement of targets linked to the corporate delivery plan and the council's vision and values 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.
22. As the council outsources a significant number of services, it operates a formal framework for monitoring contractors' performance, and reporting these to the Joint Scrutiny Committee.

#### LEGAL FRAMEWORK

23. The council's Constitution sets out how it is managed and guides decision-making towards objectives, and includes a set of procedure rules that govern how we conduct our business. It also includes protocols covering the disclosure of interests in contracts, and the relationship between officers and councillors. The monitoring officer is responsible for ensuring the lawfulness of decision-making and maintaining the Constitution. A full review and update of the Constitution was carried out during 2016/17, it was further reviewed in 2017/18 and will be reviewed annually.

24. 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 to the Joint Audit and Governance Committee if any decision or omission has given rise to maladministration.
25. In the role of monitoring officer, the head of legal and democratic contributes to the promotion and maintenance of high standards of conduct by councillors. To this end, the council's Constitution incorporates the councillors' code of conduct.

#### FINANCIAL FRAMEWORK

26. 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.
27. Full Council is responsible for approving the treasury management strategy and for setting the revenue and capital budgets.
28. 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.
29. Both revenue and capital budgets are set by full Council in February each year. Revenue budget setting includes both the calculation of the council tax base and the surplus or deficit arising from the collection fund.
30. 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.
31. 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.
32. The chief executive and heads of service consult with the head of finance and the head of legal and democratic on the financial and legal implications of any report that they are proposing to submit to full Council, a committee (or sub-committee), or Cabinet.

#### RISK MANAGEMENT FRAMEWORK

33. Risk management is important to the successful delivery of the council's objectives. An effective risk management system identifies and assesses risks, decides on appropriate responses and provides assurance that the chosen responses are effective. The overall responsibility for effective risk management in the council lies with the chief executive supported by the strategic management team. The council uses a standard risk management methodology which encompasses the identification, analysis, prioritisation, management and monitoring of risks.

34. 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 reports to the Joint Audit and Governance Committee.
35. The strategic management team is responsible for the identification, analysis and management of strategic risks and undertakes regular reviews of those risks which are incorporated in a corporate risk register.
36. The council has a risk and insurance officer who is responsible for implementing the risk management strategy. A revised risk management strategy and supporting framework 2017-19 were approved by the Joint Audit and Governance Committee on 25 September 2017.
37. Risk champions have been identified for each service area, and operational risk registers are 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. Now that the risk management strategy has been approved, a risk forum meets monthly and the council undertakes reviews to refresh the operational risk registers and horizon scan future risks during those meetings.
38. 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.
39. The council also has business continuity management arrangements in place to ensure that priority services can continue to be delivered to our customers in the event of an unforeseen disruption.

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

40. 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 audit manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
41. The following highlights our review of our governance framework and sets out the assurances of committees, officers and external organisations.

### **REVIEW OF OBJECTIVES**

42. The section entitled *the strategic planning framework* (paragraph 14) sets out the council's current strategic objectives following a major review of the Corporate Plan in 2015/16. This review included consideration of residents' feedback from the biennial residents' survey to ensure that the new plan reflects residents' priorities.



**PERFORMANCE MANAGEMENT AND SERVICE WORK PLANNING**

43. The council publishes a monthly board report which contains a smaller set of key performance indicators selected by the strategic management team and Cabinet members.  
This graphically details performance in the main areas of council activity, including:
- planning
  - housing
  - finance
  - waste management
  - benefits administration
44. The charts in the board report present:
- current performance
  - last year's performance for comparison
  - year-end target
  - latest year-end prediction by officers, where appropriate
  - a narrative supplied by the responsible officer, where appropriate.
45. Monthly analysis of the board report demonstrates that the council is meeting the majority of key performance measures. In addition, the analysis shows a long-term, on-going trend of improvement.
46. The board report is subject to a rigorous approval process, whereby it is checked by the strategic management team as data owners. The report is then sent to members of Cabinet for review, after which it is published to the website. On a quarterly basis, Cabinet members discuss the report. At any point, Councillors may request the addition of any aspects of poor performance to the agenda of the next Scrutiny or, where appropriate, Joint Scrutiny Committee meeting.
47. The report has been well received by both councillors and senior management, and is constantly evolving to reflect management requirements.
48. The council has continued its 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', the owner must provide an action to get back on track or an explanation.
49. In addition to the monthly board report, the council also produces an annual report that compares the council's performance with all other non-metropolitan district councils. This is used internally to identify any relatively weak areas requiring attention.
50. The council continues to operate a strong approach to corporate work planning, ensuring that targets and actions are SMART (specific, measurable, achievable, realistic and time-bound).
51. As a further enhancement to the corporate work planning process, some teams are using 'performance points'. A performance point is a regularly-updated notice board, displayed in a team's service area, which shows how the team is performing against

key performance targets. However, there are also electronic performance points displaying real-time data. Performance points:

- are divided into three main sections – customer excellence, business management and staff investment
- increase the visibility of targets and the progress against them
- increase the relevance of targets to teams
- are used at regular meetings to discuss performance
- are used to review performance with councillors and heads of service

52. The council has a standard process for monitoring the performance of key contractors, which is regularly reviewed and updated; each of our contractor's performance is scrutinised annually by the Joint Scrutiny Committee.

53. The consequence 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.

**Action:** To deliver the year's targets in the Corporate Plan 2016-2020 during 2018/19.

#### LEGAL FRAMEWORK

54. In July 2008, the Council approved the creation of a shared strategic management team with Vale of White Horse District Council. In September 2008, the 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. Since then, most staff have progressively moved into a role shared across the two councils. 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.

55. 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 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 and updated on 18 February 2011.

56. In September 2008, Council agreed 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.

57. A fully revised joint Constitution was approved by each Council in 2016/17 and the Joint Constitution Review Group continued to meet regularly during 2017/18 to keep the Constitution under review. Each council remains an independent legal entity and where the approach or procedures of each council differ, then these are reflected in the Constitution.
58. The monitoring officer did not need to use her statutory powers during the year.
59. Part 3 of the Local Government and Public Involvement in Health Act 2007 required all principal authorities to adopt either an elected mayor and cabinet or a new style 'strong leader and cabinet'. The Council has adopted the strong leader model.
60. For all Cabinet and committee reports for which a decision is required, a "legal implications" section is included which details the legal consequences of the decision being taken. A lawyer ensures that this information is accurate and relevant.
61. Lexcel is the accreditation quality mark which the Law Society has developed. This has been awarded to the council's legal team, which must undergo a rigorous independent assessment each year to ensure it meets the required standards of excellence in areas such as customer care, case management and risk management.

**Action:** To continue to review the Constitution to meet the requirements of good governance arising from the joint working arrangements with Vale of White Horse District Council and to submit any revisions to this Council and Vale of White Horse District Council in 2018/19.

## FINANCIAL FRAMEWORK

### FINANCIAL REPORTING

62. The council produced budget monitoring information for both revenue and capital income and expenditure every quarter from June onwards during the 2017/18 financial year. Budget monitoring reports are available from the council's financial management system, which are profiled, to heads of service and managers every quarter, within two weeks of the end of the period. This ensures up-to-date information, for example by ensuring that all cash received up to the end of the previous period is reflected in the figures. Heads of service and service managers are able to generate their own reports from the financial system at any time.
63. From quarter two onwards, heads of service are required to submit a return to accountancy, which provides reasons for budget variances, and forecasts the end of year outturn position. These are collated into a budget monitoring report which is considered by the strategic management team before being reviewed by finance portfolio holders and circulated to other councillors. These reports highlight the key budget variances being reported by each service, allowing management to focus on them. If required, budget virements can be made during the year. By making such budget virements in-year, the council is able to realign resources to ensure that overspends do not impact on its ability to deliver other services. This is assisted by the prudent inclusion of a contingency budget.

64. Budgetary control is subject to an internal audit review every three to four years. Otherwise, budgetary control is generally reviewed in audits of teams or service areas.
65. For all Cabinet and 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. An accountant ensures that this information is accurate and relevant.
66. In September 2017, the Joint Audit and Governance Committee approved the council’s financial statements for 2016/17. The council’s external auditors issued an unqualified opinion on the financial statements but issued a qualified value for money conclusion in relation to senior management capacity.
67. Officers keep up to date with the latest accounting developments, which enable them to be prepared for the changes in accounting practice that affect the preparation and presentation of the financial statements. The council subscribes to the Chartered Institute of Finance and Accountancy’s (CIPFA) finance advisory network and officers regularly attend these network events, enabling them to prepare for changes to accounting requirements.
68. Each year’s accounts and annual audit letter are available to the public and are published on the council’s website. These are available in accessible formats on request. To assist the public in understanding the accounts, there is a narrative statement explanatory foreword in the financial statements that explains the purpose of the accounts and summarises the key messages arising from them. There is also a glossary of terms within the accounts to aid understanding.

#### BUDGET SETTING

69. 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. This information is used to prepare the budget monitoring reports presented to the strategic management team, and to substantiate any in-year budget transfers or supplementary estimates required to meet changing circumstances. The in-year monitoring of budgets enables the following year’s budget setting process to be based on the latest estimates of income and expenditure.
70. Every year the council sets a comprehensive and balanced budget, which provides adequate resources and there has been an absence of overspends against total budget in recent years.
71. The council’s budget planning cycle is well established, starting with a base budget position produced by officers. Officers 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 reviews the budget during February. Throughout the budget setting process the council’s financial position, and budget proposals, are regularly discussed informally by Cabinet members and the strategic management team, which ensure that they have a good understanding of the financial situation.

72. Once the budget is set, the monitoring of income and expenditure against budget continues throughout the financial year by the strategic management team, 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 PLAN

73. Supporting the annual budget-setting process, each year the council publishes a five-year medium term financial plan. This provides a forward-looking budget model that estimates the council's budget needs in future years, and indicates the required level of savings needed in future years to balance the budget. This is based on assumptions of the most likely levels of such critical factors as government grant funding, the level of investment interest, and inflation. These are subject to fluctuations.
74. By using the medium term financial plan to estimate future council income and expenditure, the council was able to freeze its council tax for 2017/18. 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. Savings realised when the council merged its management team with Vale of White Horse District Council and embraced "lean" business process re-engineering have been added to by the sharing of offices. All the savings identified to date were reasonable, having been subject to review by the then strategic management board and Cabinet.
75. The budget report presented to Cabinet included a summary of the estimated balance on key reserves at the end of the capital programme period. Assumptions underpinning the estimates of reserves were deemed reasonable by the section 151 chief finance officer.
76. The council communicates key messages from its financial planning process to staff and stakeholders. Staff involved in the budget setting process received appropriate guidance and training from accountancy staff.

#### TREASURY MANAGEMENT STRATEGY

77. 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. Cabinet and the Joint Audit and Governance Committee monitor performance against the strategy twice each year.
78. The council enjoys a healthy financial position. It has significant reserves that generate interest income, which it uses to support the revenue budget. The council uses interest earned during the one financial year to support the following year's revenue budget. This provides a more stable platform on which to plan, and means that the prolonged low interest rates that have been experienced in recent years do not impact on in-year service delivery.

79. The Joint Audit and Governance Committee takes 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.
80. All the arrangements detailed above demonstrate that Cabinet and the strategic management team exercise collective responsibility for financial matters. All members of the strategic management team accept individual and collective responsibility for the stewardship of use of resources and financial accountability.

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

81. 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*.
82. 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 requires its internal audit team 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 Joint Audit and Governance Committee.

#### COUNCILLORS' AND SENIOR OFFICERS' DEVELOPMENT

83. Councillors are offered a comprehensive induction programme after their election. This includes initial and ongoing training sessions on planning and licensing law, along with a range of other skills based training e.g. chairing meetings, effective scrutiny, personal influencing, with needs assessment taking place in order to provide further relevant training. Members of the Joint Audit and Governance Committee also have a training programme.
84. Following the District Council elections in 2015, the council undertook a shared programme with Vale of White Horse District Council. The programme included training and support to develop the effectiveness of councillors in their different roles in order to make decision-making in council and committee meetings more effective. The programme encouraged councillors to engage in training to meet their needs as well as the council's needs. The council will continue to develop councillors' roles through ongoing training and, during 2018/19, will prepare an induction programme for councillors following the May 2019 elections.
85. The development opportunities for senior officers include support towards a nationally recognised qualification e.g. a Master of Business Administration. They can also attend other strategic leadership programmes. Attendees evaluate these programmes, provide feedback at the end of each session, and line managers review training during the development and performance review and the formal one to one process.

86. The council will continue to offer senior managers, service managers, and team leaders/supervisors further opportunities to consolidate their management development through refresher and follow-up sessions. Following the completion of the management restructure, we will re-evaluate management development needs.

**Actions:** a) To prepare an induction programme during 2018/19 for councillors elected in the May 2019 elections.  
b) To agree and implement a training and development programme for managers during 2018/19.

#### INTERNAL AUDIT AND THE INTERNAL AUDIT MANAGER

87. 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 achievement 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.
88. The interim 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 completely harmonised with Vale of White Horse District Council.
89. The interim internal audit manager's overall opinion offers satisfactory assurance on the basis of internal audit's own work during 2017/18. There is basically a sound system of internal control in place, but there are some weaknesses, which may put some system objectives at risk.
90. During 2017/18 the internal audit team has 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; the compliance testing resulted in three high risk and one low risk recommendation.
91. One suspicion of fraud and corruption by councillors was reported to the interim internal audit manager in 2017/18 which was found, upon review, to be unsubstantiated. The interim internal audit manager has reviewed the entries in the gifts and hospitality register. It is recommended that there continues to be a regular reminder of the requirements of the gifts and hospitality policy provided to councillors and officers to ensure a pro-active approach.
92. Internal audit provides assurance that it has complied with the CIPFA Code and a formal quality assurance programme continues to be in place. The internal audit framework was last reviewed in 2015/2016 and no changes were required.

**Action:** a) To continue to provide a regular reminder of the requirements of the gifts and hospitality policy to councillors and officers in 2018/19  
b) To review the internal audit framework in 2018/19  
c) To provide anti-fraud and corruption training for councillors and officers in 2018/19 and to include this in the induction programme for councillors elected in the May 2019 elections.

## RISK MANAGEMENT

93. Paragraphs 33 – 39 above describe the council’s framework for risk management. The risk and insurance officer has reviewed the current arrangements and a revised risk management strategy and supporting framework 2017-19 were approved by the Joint Audit and Governance Committee on 25 September 2017 and the corporate risks will be reviewed by the Committee every six months.
94. The risk management approach ensures that all risks are linked to strategic objectives, the likelihood and impact are assessed, the gross and net risks are identified and responsibility for mitigating actions is assigned to appropriate officers. The council has designated risk champions for all service areas who will meet on a monthly basis and review the operational risk registers and horizon scan possible future risks. The process requires the strategic management team to regularly review the corporate risk register and also requires a report to the Joint Audit and Governance Committee summarising the main risks.
95. The council has a corporate risk register, owned by the strategic management team, with clear links between risks and strategic objectives. The process requires the strategic management team to review the corporate risk register. Responsibility for implementing the required mitigating actions is assigned to managers.
96. Risk management will be 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.
97. The strategic management team are in the process of identifying high/critical risks in the corporate risk register to be reported to the Joint Audit and Governance Committee in 2018/19.
98. 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 embed the revised risk management arrangements in 2018/19.

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

99. 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 has raised the profile of the anti-fraud, bribery and corruption policy and the whistleblowing policy 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.

100. The council actively participates in the national anti-fraud initiative; publicises successful cases against 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 administering penalties and cautions. It undertakes active recovery of fraudulent overpayments and ensures policies are applied consistently.
101. The internal control arrangements in place include the council's Constitution, the provision of an internal audit service, the presence of an active Joint Audit and Governance Committee, transparent governance reporting through an assurance framework, and compliance with relevant laws and regulations.
102. The risk of money laundering to the council remains low. However, the council has an anti-money laundering policy and procedure and has designated the section 151 officer to be the council's anti-money laundering reporting officer.
103. An action plan, following a review of the anti-money laundering policy, is currently awaiting management approval. The anti-fraud, bribery and corruption policy and the whistleblowing policy was last updated in 2016/17.

**Action:** To update and embed the revised anti-money laundering arrangements in 2018/19.

#### BUSINESS CONTINUITY

104. The risk and insurance officer and emergency planning officer have completed a review of the crisis management framework. All supporting plans and policies are now being updated. The council is reviewing the current provision for a joint disaster recovery site with Vale of White Horse District Council.

**Action:** To embed the revised business continuity framework in 2018/19.

#### JOINT AUDIT AND GOVERNANCE COMMITTEE

105. In May 2015 the Council agreed to establish a joint audit and governance committee with Vale of White Horse District Council to replace both councils' individual committees. The purpose of a joint committee is to ensure a consistent approach, avoid duplication of resources and improve joint working between both councils. The Joint Audit and Governance Committee undertakes the core functions of an audit committee as set out in CIPFA's Audit Committees – Practical Guidance for Local Authorities (2005).
106. Each council continues to have an individual audit and governance sub-committee to agree procedures for and handle individual code of conduct complaints against district, town and parish councillors. The joint committee and the sub-committees reviewed the procedures for dealing with code of conduct complaints in March 2016.

## SCRUTINY COMMITTEE

107. The scrutiny committees continue to help develop council policy. They also review performance in meeting council objectives, and the district scrutiny committee holds Cabinet accountable for its decisions. In May 2015 the council agreed to establish a joint scrutiny committee with Vale of White Horse District Council to meet at least twice a year to review a number of standing items that affect both Councils.

**Action:** To continue to embed the joint scrutiny committee in 2018/19, meeting at least twice a year, to review a number of standing items that affect both this council and Vale of White Horse District Council, such as the performance of contractors.

## COUNCILLORS' CODE OF CONDUCT

108. The current code of conduct came into effect on 1 July 2012. Following the elections in 2015, the council provided code of conduct training for district councillors and parish council clerks and chairman in 2015/16. As the need arises, officers provide advice on the code to district and parish and town councillors as well as to parish and town clerks. The monitoring officer issued guidance on bias in decision-making in February 2016.
109. In order to comply with the statutory requirements, the council appoints two independent persons to advise the monitoring officer and councillors on code of conduct complaints. The monitoring officer decides what action to take on complaints. The monitoring officer did not refer any complaints for formal investigation in 2017/18.
110. An annual review of code of conduct complaints was considered by the Joint Audit and Governance Committee at its meeting on 26 March 2018.

## EXTERNAL SOURCES OF ASSURANCE ON THE GOVERNANCE FRAMEWORK

111. Issues raised by our external auditor, and other external inspectors are used to identify improvement areas in our governance arrangements. EY was appointed as the council's external auditor from 1 September 2012 and was appointed by the Public Sector Audit Appointments to continue to act as external auditors to South Oxfordshire District Council from 2018/19.
112. The council prepares its accounts under International Financial Reporting Standards and EY issued an unqualified opinion on the council's 2016/17 financial statements in September 2017.

## CERTIFICATION OF ANNUAL CLAIMS

113. In January 2018, the Joint Audit and Governance Committee considered the annual certification report 2016/17 from the council's external auditor, EY. This looked at the sums the council claimed from the government in grants and subsidies and checked whether the council had correctly accounted for these in its returns to government. EY had certified South Oxfordshire's claim worth £28.9m. No qualification letter was issued.

## LOCAL GOVERNMENT OMBUDSMAN

114. The Local Government Ombudsman provides summary information on complaints about the council to enable it to incorporate any feedback into service improvement.
115. During 2017/18 the Local Government Ombudsman determined 6 complaints and found 3 instances of maladministration by the council. The Joint Audit and Governance Committee will consider the Ombudsman's letter detailing these complaints at its meeting in October 2018.

## Current governance issues

### MANAGEMENT RESTRUCTURE

116. The former chief executive left the council in June 2017 and Mark Stone was appointed as acting chief executive from 1 July 2017 and as permanent chief executive from 1 January 2018.
117. An interim management structure was put in place in August 2017 pending permanent arrangements being agreed and implemented. In December 2017, a permanent structure of a chief executive, eight heads of service and 25 service managers was approved by Council. All heads of service and the majority of service managers have now been appointed.

<p><b>Action:</b> To complete the implementation of the management and staffing structure in 2018/19.</p>
---

### CORPORATE SERVICES PROJECT

118. The corporate services project commenced in April 2014, attracting four new district council partners in addition to South Oxfordshire District Council and generating substantial market interest ahead of two simultaneous EU procurement exercises. In addition to re-tendering services which South contracted out ten years ago to Capita, the council also invited firms to tender for a range of services currently delivered by in house teams. In January 2016, Cabinet designated Capita as the preferred bidder for Lot 1 services (revenues and benefits, customer services, accountancy, licensing, land charges, IT operations, HR and procurement) and VINCI as the preferred bidder for Lot 2 services (property management, facilities management and car parks). Contracts were put in place with a service commencement date of 1 August 2016.
119. The council entered into an inter authority agreement (IAA) with the other councils to cover the procurement and the governance of the future partnership of the councils (the 5 Councils Partnership). In addition, a joint client team, a joint committee and a five councils' joint scrutiny committee were established to oversee the delivery of the contracts.

120. A review of the contractual and inter-authority arrangements has been carried out during 2017/18. The licensing service was brought back in-house in February 2018. A variation to the Capita contract was completed in March 2018. The VINCI contract ended on 31 March 2018 by agreement between VINCI and the five councils. Property management and facilities management services have been brought back in house but car park services continue to be provided under a novated sub-contract. A new inter-authority agreement is being negotiated and revised governance arrangements will be put in place in 2018/19. The five councils' partnership joint scrutiny committee will be abolished and district scrutiny committees will take on this responsibility.

**Actions:** a) To keep the corporate services contract under review.  
 b) To complete a revised inter-authority agreement and embed the revised governance arrangements for the corporate services contract during 2018/19.

121. The council proposes 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, the undersigned, 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	
	Mark Stone, Chief Executive		
Signature		Date	
	Jane Murphy, Leader of the Council		

APPENDIX A

**Action Plan**

**Performance Management and Service Work Planning**

To deliver the year's targets in the corporate plan 2016-2020 during 2018/19.

**Legal Framework.**

To continue to review the Constitution to meet the requirements of good governance arising from the joint working arrangements with Vale of White Horse District Council and to submit any revisions to this Council and Vale of White Horse District Council in 2018/19.

**Councillors' and Senior Officers' Development**

To prepare an induction programme during 2018/19 for councillors elected in the May 2019 elections.

To agree and implement a training and development programme for managers during 2018/19.

**Internal Audit**

To continue to provide a regular reminder of the requirements of the gifts and hospitality policy to councillors and officers in 2018/19.

To review the internal audit framework in 2018/19.

To provide anti-fraud and corruption training for councillors and officers in 2018/19 and to include this in the induction programme for councillors elected in the May 2019 elections.

**Risk Management**

To embed the revised risk management arrangements in 2018/19.

**Anti-Money Laundering**

To update and embed the revised anti-money laundering arrangements in 2018/19.

**Business Continuity**

To embed the revised business continuity framework in 2018/19.

**Joint Scrutiny**

To continue to embed the joint scrutiny committee in 2018/19, meeting at least twice a year, to review a number of standing items that affect both this council and Vale of White Horse District Council, such as the performance of contractors.

**Management Restructure**

To complete the implementation of the management and staffing structure in 2018/19.

**Corporate Services Project**

To keep the corporate services contract under review.

To complete a revised inter-authority agreement and embed the revised governance arrangements for the corporate services contract during 2018/19.



# Annual Governance Statement 2017/18

## CONTENTS

<b>Scope of responsibility .....</b>	<b>2</b>
<b>The purpose of the governance framework .....</b>	<b>3</b>
<b>The governance framework .....</b>	<b>3</b>
The strategic planning framework .....	4
Performance management framework .....	6
Legal framework .....	6
Financial framework .....	7
Risk management framework .....	7
<b>Review of effectiveness of the governance framework .....</b>	<b>8</b>
Review of objectives .....	8
Performance management and service work planning .....	8
Legal framework .....	10
Financial framework .....	11
Councillors' and senior officers' development .....	14
Internal audit and the internal audit manager .....	15
Risk management .....	16
Anti-fraud, bribery, money laundering and whistleblowing .....	16
Business continuity .....	17
Joint Audit and Governance Committee .....	17
Scrutiny Committee .....	17
Councillors' code of conduct .....	18
External sources of assurance on the governance framework .....	18
<b>Current governance issues .....</b>	<b>19</b>
Appendix 1: Action Plan .....	21

## Scope of responsibility

1. Vale of White Horse 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.
2. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in exercising its functions, having regard to a combination of economy, efficiency and effectiveness.
3. 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.
4. The council has in place corporate governance arrangements, and has adopted a local code of governance. 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 and the Society of Local Authority Chief Executives, which was published in 2007.
5. This statement explains how Vale of White Horse District Council has complied with its code of governance, and how the council met the requirements of regulation 6 of the Accounts and Audit Regulations 2015, in relation to an annual review of the effectiveness of the council's systems of internal control, and the preparation and approval of an annual governance statement.
6. Our website at [www.whitehorsedc.gov.uk](http://www.whitehorsedc.gov.uk) has a copy of the local code of corporate governance within its Constitution or it can be obtained from:

Democratic Services  
Vale of White Horse District Council  
135 Eastern Avenue  
Milton Park  
Milton  
Abingdon  
OX14 4SB

Tel. 01235 422520

Email: [democratic.services@southandvale.gov.uk](mailto:democratic.services@southandvale.gov.uk)

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

7. The governance framework comprises the systems, processes, culture and values, by which the council is directed and controlled, and activities through which it accounts to, engages with and leads the community. The governance framework enables the council to monitor achievement of its strategic objectives and to consider whether those objectives have delivered appropriate, cost-effective services.
8. 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 the council's objectives, and therefore can 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 risks to the achievement of the council's 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.
9. The council has had the governance framework described below in place for the year ended 31 March 2018 and up to the date of approval of the 2017/18 statement of accounts in July 2018.

## **The governance framework**

10. 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 the budget.
11. The council has executive arrangements in place consisting of a cabinet, a scrutiny committee and a joint scrutiny committee with South Oxfordshire District Council. Cabinet is responsible for proposing the budget and policy framework, and implementing it once approved by Council. The scrutiny function allows a committee to question and challenge the policy and performance of Cabinet and promote public debate.
12. The chief executive advises councillors on policy and procedures to drive the aims and objectives of the council. As head of the officer staff, the chief executive oversees the employment and conditions of staff. The chief executive leads a strategic management team that is shared with South Oxfordshire District Council. The former chief executive left the council in June 2017 and Mark Stone was appointed acting chief executive from 1 July 2017, and as permanent chief executive from 1 January 2018. The chief finance officer, the monitoring officer and other heads of service are responsible for advising Cabinet and scrutiny committees on legislative, financial and other policy considerations to achieve the council's objectives, and are responsible for implementing councillors' decisions.
13. The governance framework for 2017/18 was based on our local code of governance. Within the framework the council aims to meet the principles of good governance in all aspects of its work, giving particular attention to the main principles:



- Focusing on the council's purpose 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
- 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

14. To ensure the council does the right things, in the right way, for the right people, in a timely, inclusive, open, honest, cost-effective and accountable manner, the strategic planning framework incorporates residents' and service-providers' views as well as national and local priorities.
15. The council's strategic objectives and corporate priorities, are set out in their Corporate Plans which were adopted on 11 May 2016. For 2017/18 these were:

### **Housing and infrastructure**

- Develop an ambitious housing strategy that will deliver the right balance of homes to meet housing need, including starter and low cost homes
- Reduce homelessness
- Tackle infrastructure challenges

### **Sustainable communities and wellbeing**

- Facilitate sustainable communities
- Increase participation in sport and leisure
- Continue to improve our environment

### **Building an even stronger economy**

- Create the right conditions for economic growth, so that businesses, residents and workers can prosper
- Optimise employment opportunities
- Support tourism in Vale
- Ensure the success of our town centres

### **Running an efficient council**

- Maintain high levels of resident satisfaction with how the council runs things
- Reducing costs

16. The four-year Corporate Plan guides decisions on how the council invests financial and staffing resources. This plan determines the types of projects the council supports through grant funding. Arising from the Corporate Plan, there is a detailed corporate delivery plan, identifying how services undertake specific activities to deliver the council's priorities.
17. The council's work with partners takes place both locally to address local issues and also through some formal partnerships, which may be either service specific or more broadly strategic. These key formal partnerships include:
  - South and Vale Community Safety Partnership - this focuses on joint working to prevent, reduce and tackle crime and disorder and addresses broader community safety issues affecting local people. It has an annual plan that sets out the partnership's key aims and objectives for the year and is available on the council's website.
  - Oxfordshire Local Enterprise Partnership – this is a body made up of representatives from business, academia and the wider public sector. The partnership's aim is to be the catalyst for realising Oxfordshire's economic and commercial potential. The partnership is responsible for delivering the Science Vale enterprise zones and Didcot Growth Accelerator enterprise zones.
  - Oxfordshire Growth Board - this is a statutory committee comprising representatives of Oxfordshire County Council and each of the district councils in Oxfordshire, as well as a number of non-voting members. Its purpose is to facilitate and enable collaboration between local authorities and OxLEP on economic development, strategic planning and growth.
18. Our other key strategies include:
  - The development plan for Vale of White Horse which comprises:
    - The Local Plan Part 1(adopted December 2016) and the emerging Local Plan Part 2 which cover the period up to 2031.
    - "Made" (adopted) Neighbourhood Development Plans prepared by local communities.
    - Any Development Planning Documents relating to minerals and waste prepared by Oxfordshire County Council.
  - Equality objectives: the council has set equality objectives in line with the requirements of the Equality Act 2010 and to support the delivery of the council's Corporate Plan priorities – these are published in the plan.
  - Boosting the local economy: supporting the district's 5,740 small to medium (SME) businesses to overcome their barriers to growth has been the focus of the development of the Business and Innovation Strategy 2017-2020 and associated "Vale4Business" brand. The strategy and associated action plan sets out how the council will help businesses to grow and contribute to a vibrant local economy. There are four main areas of focus for the action plan: making businesses aware of opportunities to grow and ensure they benefit from business support that is available, supporting businesses struggling to attract and retain staff, particularly young people and to address key skills gaps, support businesses concerned with infrastructure issues and improving access to high speed broadband, and

addressing concerns over the lack of good quality and affordable business workspace and raise awareness of what is available.

#### PERFORMANCE MANAGEMENT FRAMEWORK

19. The council sets performance targets to achieve its strategic objectives and corporate priorities set out in the Corporate Plan. To ensure the council meets targets and achieves objectives, it has a corporate delivery plan, and staff have individual workplans and targets, ensuring that a *golden thread* aligns the council's top-level objectives to the work of each council officer.
20. The council will measure performance on its corporate plan through regular reports to Cabinet members and six-monthly reports to the Scrutiny Committee. The strategic management team and Cabinet receive monthly board reports which monitor performance on a basket of key measures; and an annual report which benchmarks our performance against other relevant district councils.
21. The council has an individual development and performance review scheme focusing on agreement of targets linked to the corporate delivery plan and the council's vision and values 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.
22. As the council outsources a significant number of services, it operates a formal framework for monitoring contractors' performance, and reporting these to the Joint Scrutiny Committee.

#### LEGAL FRAMEWORK

23. The council's Constitution sets out how it is managed and guides decision-making towards objectives, and includes a set of procedure rules that govern how we conduct our business. It also includes protocols covering the disclosure of interests in contracts, and the relationship between officers and councillors. The monitoring officer is responsible for ensuring the lawfulness of decision-making and maintaining the Constitution. A full review and update of the Constitution was carried out during 2016/17, it was further reviewed in 2017/18 and will be reviewed annually.
24. 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 to the Joint Audit and Governance Committee if any decision or omission has given rise to maladministration.
25. In the role of monitoring officer, the head of legal and democratic contributes to the promotion and maintenance of high standards of conduct by councillors. To this end, the council's Constitution incorporates the councillors' code of conduct.

## FINANCIAL FRAMEWORK

26. 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.
27. Full Council is responsible for approving the treasury management strategy and for setting the revenue and capital budgets.
28. 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.
29. Both revenue and capital budgets are set by full Council in February each year. Revenue budget setting includes both the calculation of the council tax base and the surplus or deficit arising from the collection fund.
30. 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.
31. 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.
32. The chief executive and heads of service consult with the head of finance and the head of legal and democratic on the financial and legal implications of any report that they are proposing to submit to full Council, a committee (or sub-committee), or Cabinet.

## RISK MANAGEMENT FRAMEWORK

33. Risk management is important to the successful delivery of the council's objectives. An effective risk management system identifies and assesses risks, decides on appropriate responses and provides assurance that the chosen responses are effective. The overall responsibility for effective risk management in the council lies with the chief executive supported by the strategic management team. The council uses a standard risk management methodology which encompasses the identification, analysis, prioritisation, management and monitoring of risks.
34. 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 reports to the Joint Audit and Governance Committee.
35. The strategic management team is responsible for the identification, analysis and management of strategic risks and undertakes regular reviews of those risks which are incorporated in a corporate risk register.

36. The council has a risk and insurance officer who is responsible for implementing the risk management strategy. A revised risk management strategy and supporting framework 2017-19 were approved by the Joint Audit and Governance Committee on 25 September 2017.
37. Risk champions have been identified for each service area, and operational risk registers are 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. Now that the risk management strategy has been approved, a risk forum meets monthly and the council undertakes reviews to refresh the operational risk registers and horizon scan future risks during those meetings.
38. 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.
39. The council also has business continuity management arrangements in place to ensure that priority services can continue to be delivered to our customers in the event of an unforeseen disruption.

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

40. 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 audit manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
41. The following highlights our review of our governance framework and sets out the assurances of committees, officers and external organisations.

### **REVIEW OF OBJECTIVES**

42. The section entitled *the strategic planning framework* (paragraph 14) sets out the council's current strategic objectives following a major review of the Corporate Plan in 2015/16. This review included consideration of residents' feedback from the biennial residents' survey to ensure that the new plan reflects residents' priorities.

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

43. The council publishes a monthly board report which contains a smaller set of key performance indicators selected by the strategic management team and Cabinet members.

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

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

44. The charts in the board report present:
  - current performance
  - last year's performance for comparison
  - year-end target
  - latest year-end prediction by officers, where appropriate
  - a narrative supplied by the responsible officer, where appropriate.
45. Monthly analysis of the board report demonstrates that the council is meeting the majority of key performance measures. In addition, the analysis shows a long-term, on-going trend of improvement.
46. The board report is subject to a rigorous approval process, whereby it is checked by the strategic management team as data owners. The report is then sent to members of Cabinet for review, after which it is published to the website. On a quarterly basis, Cabinet members discuss the report. At any point, Councillors may request the addition of any aspects of poor performance to the agenda of the next Scrutiny or, where appropriate, Joint Scrutiny Committee meeting.
47. The report has been well received by both councillors and senior management, and is constantly evolving to reflect management requirements.
48. The council has continued its 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', the owner must provide an action to get back on track or an explanation.
49. In addition to the monthly board report, the council also produces an annual report that compares the council's performance with all other non-metropolitan district councils. This is used internally to identify any relatively weak areas requiring attention.
50. The council continues to operate a strong approach to corporate work planning, ensuring that targets and actions are SMART (specific, measurable, achievable, realistic and time-bound).
51. As a further enhancement to the corporate work planning process, some teams are using 'performance points'. A performance point is a regularly-updated notice board, displayed in a team's service area, which shows how the team is performing against key performance targets. However, there are also electronic performance points displaying real-time data. Performance points:
  - are divided into three main sections – customer excellence, business management and staff investment
  - increase the visibility of targets and the progress against them
  - increase the relevance of targets to teams
  - are used at regular meetings to discuss performance
  - are used to review performance with councillors and heads of service

52. The council has a standard process for monitoring the performance of key contractors, which is regularly reviewed and updated; each of our contractor's performance is scrutinised annually by the Joint Scrutiny Committee.
53. The consequence 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.

**Action:** To deliver the year's targets in the Corporate Plan 2016-2020 during 2018/19.

## LEGAL FRAMEWORK

54. In July 2008, the Council approved the creation of a shared strategic management team with South Oxfordshire District Council. In September 2008, the chief executive of South Oxfordshire District Council 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. Since then, most staff have progressively moved into a role shared across the two councils. 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.
55. 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 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 and updated on 18 February 2011.
56. In September 2008, Council agreed 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 South Oxfordshire District Council.
57. A fully revised joint Constitution was approved by each Council in 2016/17 and the Joint Constitution Review Group continued to meet regularly during 2017/18 to keep the Constitution under review. Each council remains an independent legal entity and where the approach or procedures of each council differ, then these are reflected in the Constitution.
58. The monitoring officer did not need to use her statutory powers during the year.

59. Part 3 of the Local Government and Public Involvement in Health Act 2007 required all principal authorities to adopt either an elected mayor and cabinet or a new style 'strong leader and cabinet'. The Council has adopted the strong leader model.
60. For all Cabinet and committee reports for which a decision is required, a "legal implications" section is included which details the legal consequences of the decision being taken. A lawyer ensures that this information is accurate and relevant.
61. Lexcel is the accreditation quality mark which the Law Society has developed. This has been awarded to the council's legal team, which must undergo a rigorous independent assessment each year to ensure it meets the required standards of excellence in areas such as customer care, case management and risk management.

**Action:** To continue to review the Constitution to meet the requirements of good governance arising from the joint working arrangements with South Oxfordshire District Council and to submit any revisions to this Council and South Oxfordshire District Council in 2018/19.

## FINANCIAL FRAMEWORK

### FINANCIAL REPORTING

62. The council produced budget monitoring information for both revenue and capital income and expenditure every quarter from June onwards during the 2017/18 financial year. Budget monitoring reports are available from the council's financial management system, which are profiled, to heads of service and managers every quarter, within two weeks of the end of the period. This ensures up-to-date information, for example by ensuring that all cash received up to the end of the previous period is reflected in the figures. Heads of service and service managers are able to generate their own reports from the financial system at any time.
63. From quarter two onwards, heads of service are required to submit a return to accountancy, which provides reasons for budget variances, and forecasts the end of year outturn position. These are collated into a budget monitoring report which is considered by the strategic management team before being reviewed by finance portfolio holders and circulated to other councillors. These reports highlight the key budget variances being reported by each service, allowing management to focus on them. If required, budget virements can be made during the year. By making such budget virements in-year, the council is able to realign resources to ensure that overspends do not impact on its ability to deliver other services. This is assisted by the prudent inclusion of a contingency budget.
64. Budgetary control is subject to an internal audit review every three to four years. Otherwise, budgetary control is generally reviewed in audits of teams or service areas.
65. For all Cabinet and 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. An accountant ensures that this information is accurate and relevant.



66. In September 2017, the Joint Audit and Governance Committee approved the council's financial statements for 2016/17. The council's external auditors issued an unqualified opinion on the financial statements but issued a qualified value for money conclusion in relation to senior management capacity.
67. Officers keep up to date with the latest accounting developments, which enable them to be prepared for the changes in accounting practice that affect the preparation and presentation of the financial statements. The council subscribes to the Chartered Institute of Finance and Accountancy's (CIPFA) finance advisory network and officers regularly attend these network events, enabling them to prepare for changes to accounting requirements.
68. Each year's accounts and annual audit letter are available to the public and are published on the council's website. These are available in accessible formats on request. To assist the public in understanding the accounts, there is a narrative statement explanatory foreword in the financial statements that explains the purpose of the accounts and summarises the key messages arising from them. There is also a glossary of terms within the accounts to aid understanding.

#### BUDGET SETTING

69. 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. This information is used to prepare the budget monitoring reports presented to the strategic management team, and to substantiate any in-year budget transfers or supplementary estimates required to meet changing circumstances. The in-year monitoring of budgets enables the following year's budget setting process to be based on the latest estimates of income and expenditure.
70. Every year the council sets a comprehensive and balanced budget, which provides adequate resources and there has been an absence of overspends against total budget in recent years.
71. The council's budget planning cycle is well established, starting with a base budget position produced by officers. Officers 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 reviews the budget during February. Throughout the budget setting process the council's financial position, and budget proposals, are regularly discussed informally by Cabinet members and the strategic management team, which ensure that they have a good understanding of the financial situation.
72. Once the budget is set, the monitoring of income and expenditure against budget continues throughout the financial year by the strategic management team, 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 PLAN**

73. Supporting the annual budget-setting process, each year the council publishes a five-year medium term financial plan. This provides a forward-looking budget model that estimates the council's budget needs in future years, and indicates the required level of savings needed in future years to balance the budget. This is based on assumptions of the most likely levels of such critical factors as government grant funding, the level of investment interest, and inflation. These are subject to fluctuations.
74. By using the medium term financial plan to estimate future council income and expenditure, the council increased its Band D council tax by £5. 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. Savings realised when the council merged its management team with South Oxfordshire District Council and embraced "lean" business process re-engineering have been added to by the sharing of offices. All the savings identified to date were reasonable, having been subject to review by the then strategic management board and Cabinet.
75. The budget report presented to Cabinet included a summary of the estimated balance on key reserves at the end of the capital programme period. Assumptions underpinning the estimates of reserves were deemed reasonable by the section 151 chief finance officer.
76. The council communicates key messages from its financial planning process to staff and stakeholders. Staff involved in the budget setting process received appropriate guidance and training from accountancy staff.

**TREASURY MANAGEMENT STRATEGY**

77. 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. Cabinet and the Joint Audit and Governance Committee monitor performance against the strategy twice each year.
78. The council has reserves and short-term cash flow surpluses that generate interest income, which we use to support the revenue budget in year. This can prove volatile and therefore prudent budget estimates of interest (based on market advice) are used when setting the medium term financial plan. Prolonged low interest rates that have been experienced in recent years have had an impact on the funding available to the council.
79. The Joint Audit and Governance Committee takes 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.

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

COMMENT ON THE ROLE OF THE CHIEF FINANCIAL OFFICER

81. 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*.
82. 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 requires its internal audit team 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 Joint Audit and Governance Committee.

COUNCILLORS' AND SENIOR OFFICERS' DEVELOPMENT

83. Councillors are offered a comprehensive induction programme after their election. This includes initial and ongoing training sessions on planning and licensing law, along with a range of other skills based training e.g. chairing meetings, effective scrutiny, personal influencing, with needs assessment taking place in order to provide further relevant training. Members of the Joint Audit and Governance Committee also have a training programme.
84. Following the District Council elections in 2015, the council undertook a shared programme with South Oxfordshire District Council. The programme included training and support to develop the effectiveness of councillors in their different roles in order to make decision-making in council and committee meetings more effective. The programme encouraged councillors to engage in training to meet their needs as well as the council's needs. The council will continue to develop councillors' roles through ongoing training and, during 2018/19, will prepare an induction programme for councillors following the May 2019 elections.
85. The development opportunities for senior officers include support towards a nationally recognised qualification e.g. a Master of Business Administration. They can also attend other strategic leadership programmes. Attendees evaluate these programmes, provide feedback at the end of each session, and line managers review training during the development and performance review and the formal one to one process.
86. The council will continue to offer senior managers, service managers, and team leaders/supervisors further opportunities to consolidate their management development through refresher and follow-up sessions. Following the completion of the management restructure, we will re-evaluate management development needs.

**Actions:** a) To prepare an induction programme during 2018/19 for councillors elected in the May 2019 elections.  
b) To agree and implement a training and development programme for managers during 2018/19.

## INTERNAL AUDIT AND THE INTERNAL AUDIT MANAGER

87. 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 achievement 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.
88. The interim 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 completely harmonised with South Oxfordshire District Council.
89. The interim internal audit manager's overall opinion offers satisfactory assurance on the basis of internal audit's own work during 2017/18. There is basically a sound system of internal control in place, but there are some weaknesses, which may put some system objectives at risk.
90. During 2017/8 the internal audit team has 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; the compliance testing resulted in three high risk and one low risk recommendation.
91. No suspicion of fraud and corruption by councillors was reported to the interim internal audit manager in 2017/18. The interim internal audit manager has reviewed the entries in the gifts and hospitality register. It is recommended that there continues to be a regular reminder of the requirements of the gifts and hospitality policy provided to councillors and officers to ensure a pro-active approach.
92. Internal audit provides assurance that it has complied with the CIPFA Code and a formal quality assurance programme continues to be in place. The internal audit framework was last reviewed in 2015/2016 and no changes were required.

**Action:** a) To continue to provide a regular reminder of the requirements of the gifts and hospitality policy to councillors and officers in 2018/19  
b) To review the internal audit framework in 2018/19  
c) To provide anti-fraud and corruption training for councillors and officers in 2018/19 and to include this in the induction programme for councillors elected in the May 2019 elections.

RISK MANAGEMENT

93. Paragraphs 33 – 39 above describe the council’s framework for risk management. The risk and insurance officer has reviewed the current arrangements and a revised risk management strategy and supporting framework 2017-19 were approved by the Joint Audit and Governance Committee on 25 September 2017 and the corporate risks will be reviewed by the Committee every six months.
94. The risk management approach ensures that all risks are linked to strategic objectives, the likelihood and impact are assessed, the gross and net risks are identified and responsibility for mitigating actions is assigned to appropriate officers. The council has designated risk champions for all service areas who will meet on a monthly basis and review the operational risk registers and horizon scan possible future risks. The process requires the strategic management team to regularly review the corporate risk register and also requires a report to the Joint Audit and Governance Committee summarising the main risks.
95. The council has a corporate risk register, owned by the strategic management team, with clear links between risks and strategic objectives. The process requires the strategic management team to review the corporate risk register. Responsibility for implementing the required mitigating actions is assigned to managers.
96. Risk management will be 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.
97. The strategic management team are in the process of identifying high/critical risks in the corporate risk register to be reported to the Joint Audit and Governance Committee in 2018/19.
98. 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 embed the revised risk management arrangements in 2018/19.

ANTI-FRAUD, BRIBERY, MONEY LAUNDERING AND WHISTLEBLOWING

99. 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 has raised the profile of the anti-fraud, bribery and corruption policy and the whistleblowing policy 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.
100. The council actively participates in the national anti-fraud initiative; publicises successful cases against 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 administering penalties and cautions. It

undertakes active recovery of fraudulent overpayments and ensures policies are applied consistently.

101. The internal control arrangements in place include the council's Constitution, the provision of an internal audit service, the presence of an active Joint Audit and Governance Committee, transparent governance reporting through an assurance framework, and compliance with relevant laws and regulations.
102. The risk of money laundering to the council remains low. However, the council has an anti-money laundering policy and procedure and has designated the section 151 officer to be the council's anti-money laundering reporting officer.
103. An action plan, following a review of the anti-money laundering policy, is currently awaiting management approval. The anti-fraud, bribery and corruption policy and the whistleblowing policy was last updated in 2016/17.

**Action:** To update and embed the revised anti-money laundering arrangements in 2018/19.

#### BUSINESS CONTINUITY

104. The risk and insurance officer and emergency planning officer have completed a review of the crisis management framework. All supporting plans and policies are now being updated. The council is reviewing the current provision for a joint disaster recovery site with South Oxfordshire District Council.

**Action:** To embed the revised business continuity framework in 2018/19.

#### JOINT AUDIT AND GOVERNANCE COMMITTEE

105. In May 2015 the Council agreed to establish a joint audit and governance committee with South Oxfordshire District Council to replace both councils' individual committees. The purpose of a joint committee is to ensure a consistent approach, avoid duplication of resources and improve joint working between both councils. The Joint Audit and Governance Committee undertakes the core functions of an audit committee as set out in CIPFA's Audit Committees – Practical Guidance for Local Authorities (2005).
- 106 Each council continues to have an individual audit and governance sub-committee to agree procedures for and handle individual code of conduct complaints against district, town and parish councillors. The joint committee and the sub-committees reviewed the procedures for dealing with code of conduct complaints in March 2016.

#### SCRUTINY COMMITTEE

107. The scrutiny committees continue to help develop council policy. They also review performance in meeting council objectives, and the district scrutiny committee holds Cabinet accountable for its decisions. In May 2015 the council agreed to establish a joint scrutiny committee with South Oxfordshire District Council to meet at least twice a year to review a number of standing items that affect both Councils.

**Action:** To continue to embed the joint scrutiny committee in 2018/19, meeting at least twice a year, to review a number of standing items that affect both councils such as the performance of contractors.

#### COUNCILLORS' CODE OF CONDUCT

108. The current code of conduct came into effect on 1 July 2012. Following the elections in 2015, the council provided code of conduct training for district councillors and parish council clerks and chairman in 2015/16. As the need arises, officers provide advice on the code to district and parish and town councillors as well as to parish and town clerks. The monitoring officer issued guidance on bias in decision-making in February 2016.
109. In order to comply with the statutory requirements, the council appoints two independent persons to advise the monitoring officer and councillors on code of conduct complaints. The monitoring officer decides what action to take on complaints. The monitoring officer did not refer any complaints for formal investigation in 2017/18.
110. An annual review of code of conduct complaints was considered by the Joint Audit and Governance Committee at its meeting on 26 March 2018.

#### EXTERNAL SOURCES OF ASSURANCE ON THE GOVERNANCE FRAMEWORK

111. Issues raised by our external auditor, and other external inspectors are used to identify improvement areas in our governance arrangements. EY was appointed as the council's external auditor from 1 September 2012 and was appointed by the Public Sector Audit Appointments to continue to act as external auditors to Vale of White Horse District Council from 2018/19.
112. The council prepares its accounts under International Financial Reporting Standards and EY issued an unqualified opinion on the council's 2016/17 financial statements in September 2017.

#### CERTIFICATION OF ANNUAL CLAIMS

113. In January 2018, the Joint Audit and Governance Committee considered the annual certification report 2016/17 from the council's external auditor, EY. This looked at the sums the council claimed from the government in grants and subsidies and checked whether the council had correctly accounted for these in its returns to government. EY had certified Vale's claim worth £28m. No qualification letter was issued.

#### LOCAL GOVERNMENT OMBUDSMAN

114. The Local Government Ombudsman provides summary information on complaints about the council to enable it to incorporate any feedback into service improvement.
115. During 2017/18 the Local Government Ombudsman determined 7 complaints and found 3 instances of maladministration by the council. The Joint Audit and Governance Committee will consider the Ombudsman's letter detailing these complaints at its meeting in October 2018.

## Current governance issues

### MANAGEMENT RESTRUCTURE

116. The former chief executive left the council in June 2017 and Mark Stone was appointed as acting chief executive from 1 July 2017 and as permanent chief executive from 1 January 2018.
117. An interim management structure was put in place in August 2017 pending permanent arrangements being agreed and implemented. In December 2017, a permanent structure of a chief executive, eight heads of service and 25 service managers was approved by Council. All heads of service and the majority of service managers have now been appointed.

**Action:** To complete the implementation of the management and staffing structure in 2018/19.

### CORPORATE SERVICES PROJECT

118. The corporate services project commenced in April 2014, attracting four new district council partners in addition to Vale of White Horse District Council and generating substantial market interest ahead of two simultaneous EU procurement exercises. In addition to re-tendering services which Vale contracted out ten years ago to Capita, the council also invited firms to tender for a range of services currently delivered by in house teams. In January 2016, Cabinet designated Capita as the preferred bidder for Lot 1 services (revenues and benefits, customer services, accountancy, licensing, land charges, IT operations, HR and procurement) and VINCI as the preferred bidder for Lot 2 services (property management, facilities management and car parks). Contracts were put in place with a service commencement date of 1 August 2016.
119. The council entered into an inter authority agreement (IAA) with the other councils to cover the procurement and the governance of the future partnership of the councils (the 5 Councils Partnership). In addition, a joint client team, a joint committee and a five councils' joint scrutiny committee were established to oversee the delivery of the contracts.
120. A review of the contractual and inter-authority arrangements has been carried out during 2017/18. The licensing service was brought back in-house in February 2018. A variation to the Capita contract was completed in March 2018. The VINCI contract ended on 31 March 2018 by agreement between VINCI and the five councils. Property management and facilities management services have been brought back in house but car park services continue to be provided under a novated sub-contract. A new inter-authority agreement is being negotiated and revised governance arrangements will be put in place in 2018/19. The five councils' partnership joint scrutiny committee will be abolished and district scrutiny committees will take on this responsibility.



**Actions:** a) To keep the corporate services contract under review.  
 b) To complete a revised inter-authority agreement and embed the revised governance arrangements for the corporate services contract during 2018/19.

121. The council proposes 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, the undersigned, 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	
	Mark Stone, Chief Executive		
Signature		Date	
	Roger Cox, Leader of the Council		

APPENDIX A

**Action Plan**

**Performance Management and Service Work Planning**

To deliver the year's targets in the corporate plan 2016-2020 during 2018/19.

**Legal Framework.**

To continue to review the Constitution to meet the requirements of good governance arising from the joint working arrangements with South Oxfordshire District Council and to submit any revisions to this Council and South Oxfordshire District Council in 2018/19.

**Councillors' and Senior Officers' Development**

To prepare an induction programme during 2018/19 for councillors elected in the May 2019 elections.

To agree and implement a training and development programme for managers during 2018/19.

**Internal Audit**

To continue to provide a regular reminder of the requirements of the gifts and hospitality policy to councillors and officers in 2018/19.

To review the internal audit framework in 2018/19.

To provide anti-fraud and corruption training for councillors and officers in 2018/19 and to include this in the induction programme for councillors elected in the May 2019 elections.

**Risk Management**

To embed the revised risk management arrangements in 2018/19.

**Anti-Money Laundering**

To update and embed the revised anti-money laundering arrangements in 2018/19.

**Business Continuity**

To embed the revised business continuity framework in 2018/19.

**Joint Scrutiny**

To continue to embed the joint scrutiny committee in 2018/19, meeting at least twice a year, to review a number of standing items that affect both this council and South Oxfordshire District Council, such as the performance of contractors.

**Management Restructure**

To complete the implementation of the management and staffing structure in 2018/19.

**Corporate Services Project**

To keep the corporate services contract under review.

To complete a revised inter-authority agreement and embed the revised governance arrangements for the corporate services contract during 2018/19.

# Joint Audit and Governance Committee



Report of Head of Finance/Senior Business Partner (Capita)

Author: William Jacobs/Richard Spraggett (Capita)

Telephone: 01235 422480/01235 422505

Textphone: 18001 01235 422480/18001 01235 422505

E-mail: [William.jacobs@southandvale.gov.uk](mailto:William.jacobs@southandvale.gov.uk)

[richard.spraggett@southandvale.gov.uk](mailto:richard.spraggett@southandvale.gov.uk)

SODC cabinet member responsible: Councillor David Dodds

Telephone: **01844 212891**

E-mail: [david.dodds@southoxon.gov.uk](mailto:david.dodds@southoxon.gov.uk)

VWHDC cabinet member responsible: Councillor Robert Sharp

Telephone: **01367 710549**

E-mail: [robert.sharp@whitehorsedc.gov.uk](mailto:robert.sharp@whitehorsedc.gov.uk)

To: Joint Audit and Governance Committee, Cabinet and Council

DATE: 27 September 2018 by Joint Audit and Governance Committee

4 October 2018 (S) / 5 October 2018 (V) by Cabinet

11 October 2018 (S) / 10 October 2018 (V) by Council

## Treasury Outturn 2017-18

That Joint Audit and Governance Committee:

1. notes the treasury management outturn report 2017/18,
2. is satisfied that the treasury activities are carried out in accordance with the treasury management strategy and policy, and
3. make any comments and recommendations to Cabinets as necessary.

That Cabinet:

Considers any comments from Joint Audit and Governance Committee and recommends Council to:

1. approve the treasury management outturn report for 2017/18;
2. approve the actual 2017/18 prudential indicators within the report.

## Purpose of report

1. This report fulfils the legislative requirements to ensure the adequate monitoring and reporting of the treasury management activities and that the councils' prudential indicators are reported to the councils at the end of the year. The report provides details of the treasury activities for the financial year 2017/18.
2. This complies with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA's) Code of Practice on Treasury Management (revised) 2009.

## Strategic objectives

3. Effective treasury management is required to help the councils meet their strategic objectives.

## Background

4. The councils' treasury activities are strictly regulated by legislation. The CIPFA Prudential Code and CIPFA Treasury Management Code of Practice require a report to be provided to the councils at the end of the financial year.
5. This report provides details on the treasury activity and performance for 2017/18 against prudential indicators and benchmarks set for the year in the 2017/18 Treasury Management Strategy (TMS), approved by each council in February 2017. Each council is required to approve this report.
6. Link Asset Services are the councils' retained treasury advisors.
7. On 1 August 2016, the operational treasury management staff were outsourced to Capita. The executive decision making function remains with the head of finance.
8. There are three types of investment, the performance of which is covered in this report
  - a. True treasury investments – these investments are primarily for generating interest for the councils. Examples of these are loans to banks or other local authorities. It also includes investments in property funds.
  - b. Non-treasury loans – these are loans to third parties, which earn a return, but they do not fall under the strict definition of a treasury investment.
  - c. Property investments - both councils have investment properties let on commercial basis. The primary purpose of holding these assets is for investment purposes and they are not part of regeneration schemes.
9. The councils continue to invest with regard for security, liquidity and yield, in that order.

## Economic conditions and factors effecting investment returns during 2017/18

10. UK bank base rates were increased to 0.50 per cent in November 2017, having been at an historic low of 0.25 per cent since August 2016. Link Asset Services provide a regular forecast of interest rates and the latest forecast is reproduced in **appendix A**. This forecast shows that base rates are expected to rise in November 2018, with three further increases over the next two years. An increase in inflationary pressures is likely and this, coupled with rising wage inflation, would mean more consumer spending power and therefore a rise in interest rates.
11. The TMS makes clear that investment priority is given to the security of principal in the first instance. As a result, investments have only been made with counterparties of high credit quality and low risk. Since the global banking crisis and the downgrading of the credit ratings of many banks, it has become increasingly difficult to place money at competitive rates, as institutions with high credit ratings have been offering lower rates.
12. Average treasury investment balances were higher for both councils than expected in the year. This arose from a combination of accumulated revenue and capital surpluses/slippage and unbudgeted grant receipts. More cash to invest has been a factor in the surplus of treasury investment income over budget in the year. This was also the case in 2016/17.
13. Investments that have helped to keep yields up for both councils include longer term investments taken out when rates were higher, such as the CCLA property fund at both councils, and the unit trusts at South.
14. Outlook for 2018/19 – as discussed above, interest rates are expected to rise over the next three years. In order to reduce risk, efforts are being made to rebalance the treasury portfolio to reduce the value held by building societies. Other counterparties considered are other councils, housing associations and treasury bills.

## Summary of investment activities during 2017/18

15. Prudential limits (security). Both councils are required by the Prudential Code to report on the limits set each year in the TMS. The purpose of these limits is to ensure that the activity of the treasury function remains within certain parameters, thereby mitigating risk and reducing the impact of an adverse movement in interest rates. However, if these limits are set to be too restrictive they may impair the opportunities to reduce costs/improve performance. These limits are shown in **appendix B**.
16. The benchmark for liquidity is the Weighted Average Life (WAL) of treasury investments in days, which sets an indicator for how long investments should be made. Both councils were well within the acceptable ranges for WAL as set out in the TMS for 2017/18. The benchmarks for liquidity are set to ensure that sufficient funds can be accessed at short notice. These are set as targets and not definitive limits.
17. Yield - the performance of the two councils is summarised in the tables below.

South		Treasury investments £000	Non treasury loan £000	Sub Total £000	Property investment £000	Overall total £000
1	Average investment balance	134,465	15,000	149,465	5,075	154,540
2	Budgeted investment income	1,579	623	2,202		
3	Actual investment income	1,938	623	2,561	401	2,962
4	surplus/(deficit) (3) - (2)	359	0	359		
5	Rate of return (3) ÷ (1)	1.44%	4.15%	1.71%	7.90%	1.92%

Vale		Treasury investments £000	Property investment £000	Overall total £000
1	Average investment balance	64,464	8,442	72,906
2	Budgeted investment income	346		
3	Actual investment income	610	532	1,142
4	surplus/(deficit) (3) - (2)	264		
5	Rate of return (3) ÷ (1)	0.95%	6.30%	1.57%

18. Both councils have exceeded their treasury budgeted investment income this year in terms of both actual income against budget and rates of return against benchmark. More detail on benchmarks is included in the appendices that follow this report.
19. Capita manages the councils' treasury investments and cash flow on a daily basis. During 2017/18, Arcadis looked after the councils' short to medium term property investments.
20. Detailed reports on the treasury activities for each council and performance for 2017/18 against prudential indicators and benchmarks set for the year in the 2017/18 are contained in **appendix C** – South Oxfordshire DC and **appendix D** – Vale of White Horse DC.
21. A detailed list of both councils' treasury investments as at 31 March 2018 is shown at **appendix E**.

### Debt activity during 2017/18

22. During 2017/18, there has not been a need for either council to borrow and both councils continue to take a prudent approach to their debt strategy. The prudential indicators and limits set out in **appendix B** provide the scope and flexibility for the Council to borrow in the short-term, if such a need arose, for cash flow purposes to support the council(s) in the achievement of their service objectives.

### Financial implications

23. The treasury investments made in 2017/18 ensured that both councils exceeded their budgeted targets for treasury investment income. Income earned from investments supports the councils' medium term financial plans and contributes to the councils' balances, or supports the in-year expenditure programmes.

24. Looking forward, income is anticipated to remain stable with any increase due to ongoing surplus cash balances and rises in market rates offset by a general reduction in the balances available to invest. This will be reflected in the councils' 2019/20 budgets and medium term financial plans.

### **Legal implications**

25. There are no significant legal implications. Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services and the DCLG Local Government Investment Guidance provides assurance that the councils' investments are, and will continue to be, within their legal powers.

### **Conclusion**

26. Despite a difficult operating environment, both councils continued to make investments during 2017/18 that maintained security and liquidity whilst providing a return that exceeded market benchmarks.

### **Background papers**

- Chartered Institute of Public Finance and Accounting (CIPFA) code of practice for treasury management in the public sector.
- DCLG Local Government Investment Guidance
- CIPFA treasury management in the public services code of practice and cross sectoral guidance notes
- Treasury Management Strategy 2017/18 – Councils in February 2017.

### **Appendices**

- A. Interest rate forecasts
- B. Prudential limits
- C. SODC – Treasury activities 2017-2018
- D. VWHDC – Treasury activities 2017-2018
- E. Treasury investments as at 31 March 2018
- F. Glossary of terms

**Interest rate forecast as at May 2018**

The table below shows Link Asset Services' forecast of the expected movement in medium term interest rates:

	NOW	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
BANK RATE	0.50	0.50	0.75	0.75	0.75	1.00
3 month LIBID	0.60	0.70	0.90	0.90	0.90	1.10
6 month LIBID	0.70	0.80	1.00	1.00	1.00	1.20
12 month LIBID	0.80	0.90	1.10	1.10	1.20	1.30
5 yr PWLB	1.90	2.00	2.00	2.10	2.20	2.20
10 yr PWLB	2.40	2.40	2.50	2.60	2.60	2.70
25 yr PWLB	2.70	2.80	2.90	3.00	3.10	3.20
50 yr PWLB	2.40	2.50	2.60	2.70	2.80	2.90
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
BANK RATE	1.00	1.00	1.25	1.25	1.50	1.50
3 month LIBID	1.20	1.30	1.50	1.60	1.70	1.70
6 month LIBID	1.20	1.30	1.50	1.60	1.70	1.70
12 month LIBID	1.40	1.40	1.60	1.70	1.80	1.80
5 yr PWLB	2.30	2.30	2.40	2.40	2.50	2.50
10 yr PWLB	2.80	2.80	2.90	2.90	3.00	3.00
25 yr PWLB	3.30	3.30	3.40	3.40	3.50	3.50
50 yr PWLB	3.00	3.00	3.10	3.10	3.20	3.20



**Prudential limits (indicators) as at March 2018**

Prudential indicators as at 31 March 2018				
	Vale		South	
	Original estimate	Actual position	Original estimate	Actual position
	£m	£m	£m	£m
<b>Authorised limit for external debt</b>				
Borrowing	30	0	30	0
Other long term liabilities	5	0	0	0
	<b>35</b>	<b>0</b>	<b>30</b>	<b>0</b>
<b>Operational boundary for external debt</b>				
Borrowing	25	0	25	0
Other long term liabilities	5	0	0	0
	<b>30</b>	<b>0</b>	<b>25</b>	<b>0</b>
<b>Investments</b>				
<b>Interest rate exposures</b>				
Limits on fixed interest rates	100%	85%	100%	78%
Limits on variable interest rates	50	8	50	24
<b>Maximum principal sums invested &gt; 364 days</b>				
Upper limit for principal sums invested > 364 days	40	10	70	25
Limit to be placed on investments to maturity				
1 - 2 years	NA	NA	NA	NA
2 - 5 years	NA	NA	NA	NA
5 years +	NA	NA	NA	NA

**Prudential indicators – explanatory note**

**Debt**

There are two limits on external debt: the ‘Operational Boundary’ and the ‘Authorised Limit’. Both are consistent with the current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices. They are both based on estimates of most likely, but not worst case, scenario.

The key difference is that the Authorised Limit cannot be breached without prior approval of the Council. It therefore includes more headroom to take account of eventualities such as delays in generating capital receipts, forward borrowing to take advantage of attractive interest rates, use of borrowing in place of operational leasing, “invest to save” projects, occasional short term borrowing to cover temporary revenue cash flow shortfalls as well as an assessment of risks involved in managing cash flows.

The Operational Boundary is a more realistic indicator of the likely position.

**Interest rate exposures**

The maximum proportion of interest on borrowing which is subject to fixed/variable rate of interest.

## **Investments**

### **Interest rate exposure**

The purpose of these indicators is to set ranges that will limit exposure to interest rate movement. The indicator required by the Treasury Management Code considers the net position of borrowing and investment and is based on principal sums outstanding.

### **Principal sums invested**

This indicator sets a limit on the level of investments that can be made for more than 364 days.

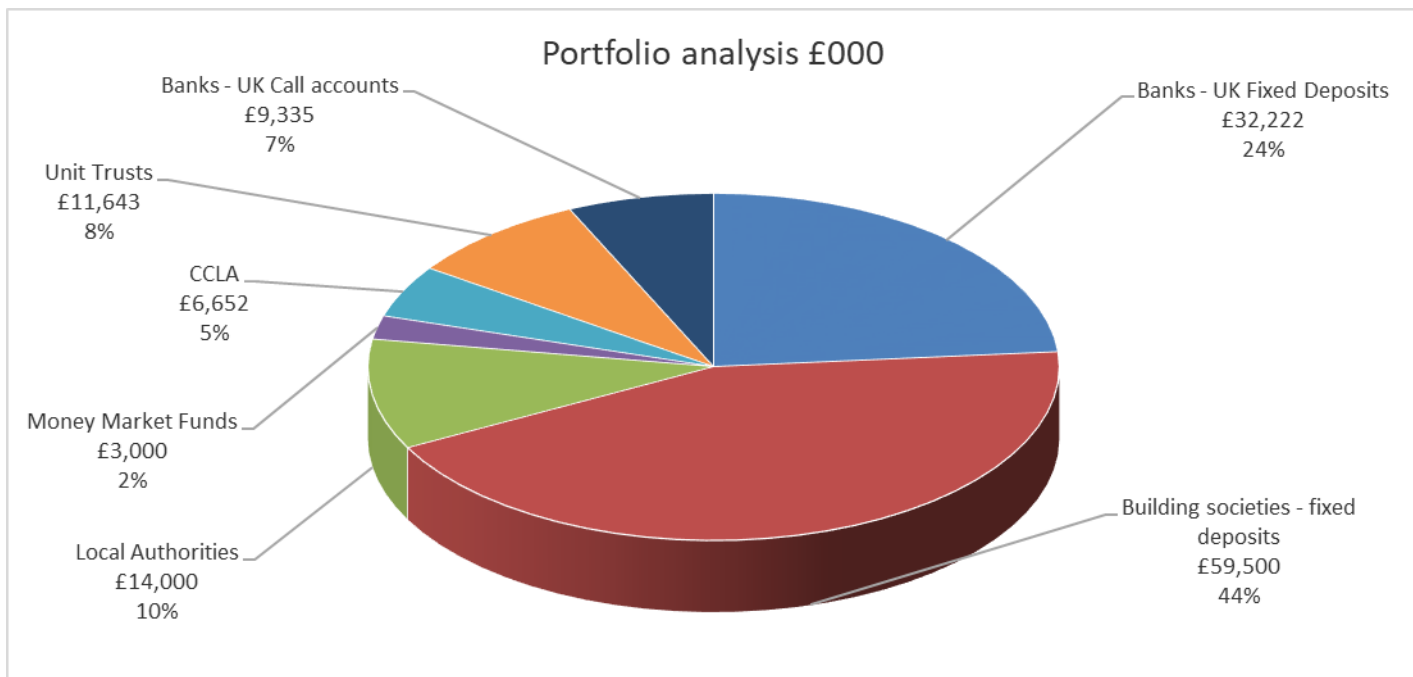
## SODC treasury activities in 2017/18

### Council treasury investments as at 31 March 2018

1. The council's treasury investments, analysed by age as at 31 March 2018 were as follows:

Table 1: maturity structure of investments at 31 March 2018:		
	£000	% holding
Call	9,335	7%
Money market fund	3,000	2%
<b>Cash available within 1 week</b>	<b>12,335</b>	<b>9%</b>
Up to 4 months	47,000	34%
5-6 months	6,000	4%
6 months to 1 year	32,500	24%
Over 1 year	20,000	15%
Kaupthing Singer & Friedlander	222	0%
<b>Total cash deposits</b>	<b>118,057</b>	<b>86%</b>
CCLA Property Fund	6,652	5%
Equities	11,643	9%
<b>Total investments</b>	<b>136,352</b>	<b>100%</b>

2. Most of the funds invested are held in the form of fixed interest rate and term cash deposits. These provide some certainty over the investment return.
3. The investment profile is organised in order to ensure sufficient liquidity for revenue and capital activities, security of investments and to manage risks within all treasury management activities.
4. The chart below shows in percentage terms how the portfolio above is spread across the investment types:



**Treasury investment income**

5. The total income earned on investments during 2017/18 was £1.9 million, compared to the original budget of £1.6 million, as shown in table 2 below:

<b>Table 2: Investment interest earned by investment type</b>			
<b>Investment type</b>	<b>Interest earned</b>		
	<b>Annual Budget</b>	<b>Actual</b>	<b>Variation</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fixed term and call	823	1,135	312
Equities	456	497	41
CCLA property fund	300	307	7
	1,579	1,939	360

6. The actual return achieved was £0.4 million more than the original budget. This was due to:

- Interest earned on cash deposits was £0.3 million higher than forecast principally due to an increase in interest rates achieved during the second part of the financial year.
- Dividend received on equities was £41,000 higher than forecast.

7. The actual average rate of return on treasury investments for the year was 1.44 per cent.

## Performance measurement

8. A list of treasury investments as at 31 March 2018 is shown in **appendix E**. All investments were with approved counterparties. The average level of investments held was £134 million. Table 3 below shows in summary the performance of the council's treasury investments against the benchmarks set out in the TMS. These benchmarks are used to assess and monitor the council's treasury investment performance for each type of investment.

Table 3: Treasury investment returns achieved against benchmark				
	Benchmark Return	Actual Return	Growth (Below)/above Benchmark	Benchmarks
Bank & Building Society deposits - internally managed	0.29%	0.90%	0.61%	3 Month LIBID
Equities	(2.40%)	(1.69%)	0.71%	FTSE All Shares Index
Property related investments (excluding SOHA loan)*	3.60%	6.14%	2.54%	IPD balanced property unit trust index

\*source CCLA Local Authorities Property Fund Report March 2018

Note: the benchmark return for unit trusts and CCLA includes the movement in capital value. All other benchmarks reflect earnings of treasury investment income.

9. Returns on Bank and building society deposits (Call accounts, money market funds and fixed term deposits) are benchmarked against the three-month LIBID rate, which was an average of 0.29 per cent for 2017/18. The performance for the year of 0.90 per cent exceeded the benchmark by 0.61 per cent.
10. It remained difficult to place investments because of continued financial uncertainty. Some good rates were achieved which contributed to the increase in investment income during the year.
11. The CCLA property fund principal investment of £5 million (March 2013) increased in value during 2017/18 to £6.7 million. Dividends received in the year totalled £0.3 million. Both the capital appreciation and the interest earned are included in the performance of 6.14 per cent achieved above. The capital gain is however not realised and so for comparison purposes, the actual rate of return is interest as a factor of market value of holding being 4.61 per cent.
12. The performance of 6.14 per cent for CCLA includes accruals and therefore creates a marginal difference between councils on the calculated return achieved.

## Equities

13. The council's holdings with the Legal & General (L&G) UK 100 Index Trust were purchased in 2000/01 at an initial cost of £10 million. This is an authorised unit trust incorporated in the United Kingdom and regulated by the FSA. The trust's objective is to track the capital performance of the UK equity market as represented by the FTSE 100 index which represents 98-99 per cent of the UK market capitalisation.

14. The index shows the performance of all eligible companies listed on the London Stock Exchange main market and today covers 630 constituents with a combined value of nearly £1.8 trillion. It is recognised as the main benchmark for unit trusts.

Table 4: Unit Trusts - Movement in capital		
	£	£
Market Value as at 31.3.18		11,642,721
Less:		
Dividends received in year	316,500	
Accrued dividends	180,000	
		(496,500)
Add:		
Disposal in year		2,000,000
Amended market value as at 31.3.18		13,146,221
Market value as at 1.4.17		13,372,084
Decrease in Market Value in year		(225,863)

15. The decrease above is compared to the performance of the stock market as a whole using the benchmarking in table 5 below. The fund's over performance of 0.71 per cent compared with the stock market equates to £95,067 in real terms.

Table 5: Unit Trust performance	
Decrease in FTSE all share was	(2.40%)
Decrease in Market Value	(1.69%)
Over-performance	0.71%
	£
Market Value 1.4.17	13,372,084
Less 2.40% FTSE decrease	(320,930)
Benchmark Market Value at 31.3.18	13,051,154
Market Value (amended at 31.3.18)	13,146,221
<b>Over performance 1.4.17 to 31.3.18</b>	<b>95,067</b>

16. The performance of the fund over the past few years is summarised in table 5.1 below.

Table 5.1 Unit Trust past performance	2014/15	2015/16	2016/17
Performance against FTSE all share % (Under)/Over	0.49%	(0.46%)	(0.76%)
Performance against FTSE all share £000 (Under)/Over	61,163	(61,601)	(96,679)

The justification for holding this investment is regularly reviewed.

17. Dividends received of £0.50 million were reinvested to acquire additional fund units.

18. Officers monitor the performance of the unit trust holding on a regular basis. When the market value reaches £14 million, a disposal of £2 million is made. During November 2017, the value of our unit trust holding reached the £14 million threshold and a disposal of £2 million took place.

### **Icelandic bank default – Kaupthing Singer & Friedlander**

19. The Council invested £2.5 million in July 2007 with the failed Icelandic bank Kaupthing Singer and Friedlander Ltd (KSF). The Council has received £2,249,739 to date in respect of the claim for £2.6 million (£2.5 million investment plus interest).

20. As a wholesale depositor, the Council is treated as an unsecured creditor in the administration process and ranks equally with all other unsecured creditors. The administrators intend to make further payments at regular intervals. The latest creditors' report now indicates that the estimated total amount to be recovered should be in the range of 86.25p to 87p in the pound. In total terms, this would mean receiving between £2,269,094 and £2,288,826.

### **Non-treasury investment loan**

21. During 2013/14, the council entered into a secured loan agreement with SOHA to enable them to finance affordable housing schemes. The Council lent £15 million over 20 years at a fixed rate of 4.15 per cent. Interest is paid quarterly and during 2017/18, the council received £0.6 million.

### **Land and property**

22. The Council holds a portfolio of investment properties, which includes land, depots, garages, and shops that are let on a commercial basis. These assets had a net book value of £5.08 million at 31 March 2018 (£5.08 million at 31 March

2017) and generated income of £0.40 million in 2017/18 (£0.24 million in 2016/17) giving a gross rate of return of 7.90 per cent.

23. Due to movement in property values and the exclusion of whole life costs, these rates of return should not be taken as a direct comparison with the treasury rates.

### **Liquidity and yield**

24. The council uses short-term investments to meet daily cash-flow requirements and aims to invest a proportion of the portfolio over longer dated cash deposits where possible.

25. The amount maintained for liquidity was £12 million. The 2017/18 strategy removed the requirement to maintain £10 million on call for liquidity purposes. This means officers can place more short term deposits, covering cash flows, which will achieve better yields for the council.



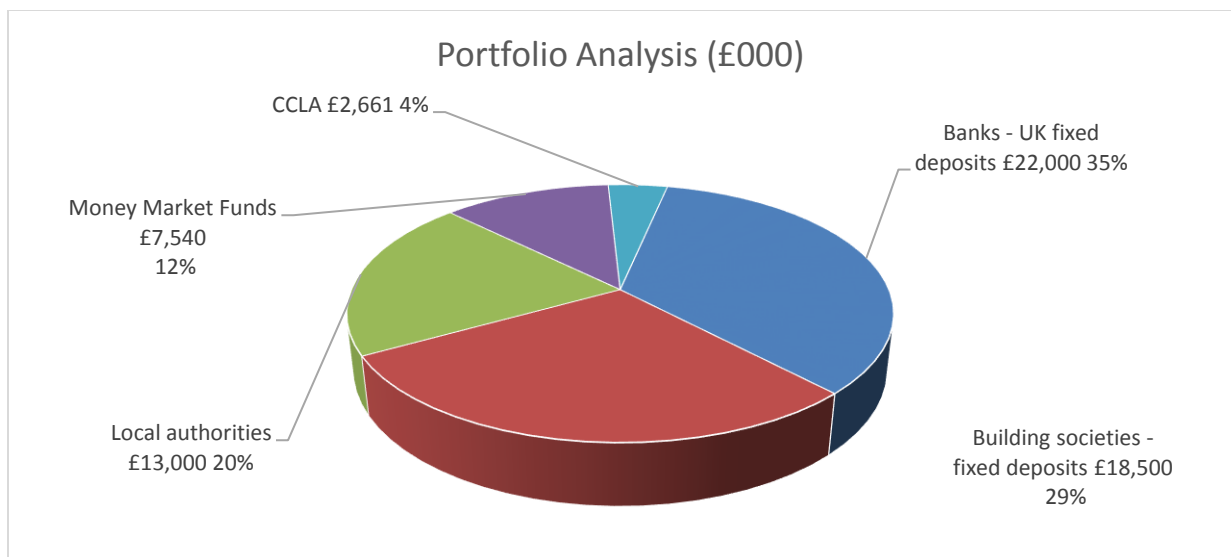
## VWHDC detailed treasury performance in 2017/18

### Council treasury investments as at 31 March 2018

1. The council's treasury investments analysed by age as at 31 March 2018 were as follows:

Table 1: maturity structure of investments at 31 March 2018:		
	£000	% holding
Call	0	0%
Money market fund	7,540	12%
Cash available within 1 week	7,540	12%
Up to 4 months	20,000	31%
5-6 months	4,000	6%
6 months to 1 year	21,500	34%
Over 1 year	8,000	13%
<b>Total cash deposits</b>	<b>61,040</b>	<b>96%</b>
CCLA Property Fund	2,661	4%
<b>Total investments</b>	<b>63,701</b>	<b>100%</b>

2. Most of the funds invested are held in the form of fixed interest rate and term cash deposits. These provide some certainty over the investment return.
3. The investment profile is organised in order to ensure sufficient liquidity for revenue and capital activities, security of investments and to manage risks within all treasury management activities.
4. The chart below shows in percentage terms how the portfolio above is spread across investment types:



### Treasury investment income

5. The total interest earned on treasury investments during 2017/18 was £0.6 million compared to the original budget estimate of £0.3 million as shown in table 2 below:

Table 2: Investment interest earned by investment type			
Investment type	Annual Budget	Actual Interest	Variation
	£000	£000	£000
Fixed term and call	227	485	258
CCLA Property Fund	119	125	6
<b>Total Interest</b>	<b>346</b>	<b>610</b>	<b>264</b>

6. The actual return achieved was £0.3 million higher than the original budget. This was primarily due to average balances throughout the year remaining higher than forecast.
7. The total actual average interest rate achieved for the year was 0.95 per cent.

### Performance measurement

8. A list of treasury investments as at 31 March 2018 is shown in **appendix E**. All investments were with approved counterparties. The average level of investments held was £64.5 million. Table 3 below shows in summary the performance of the council's treasury investments against the benchmarks set out in the TMS. These benchmarks are used to assess and monitor the council's treasury investment performance for each type of investment.

Table 3: Treasury investment returns achieved against benchmark				
	Benchmark return	Actual return	Growth (below)/above Benchmark	Benchmarks
Internally managed - Bank & Building Society deposits	0.29%	0.78%	0.49%	3 month LIBID
Property related funds (CCLA)*	3.60%	6.24%	2.64%	IPD balanced property unit trust index

\*Source: CCLA Local Authorities Property Fund Report March 2018

9. Returns on bank and building society deposits (internally managed cash deposits) are benchmarked against the 3-month LIBID rate, which was an average of 0.29 per cent for 2017/18. The performance for the year of 0.78 per cent exceeded the benchmark by 0.49 per cent.
10. It remained difficult to place investments because of continued financial uncertainty. Some good rates were achieved which contributed to the increase in investment income during the year.

11. The CCLA property fund principal investment of £2 million (April 2013) increased in value during 2017/18 to £2.7 million. Dividends received in the year totalled £0.1 million. Both the capital appreciation and the interest earned are included in the performance of 6.24 per cent achieved above. The capital gain is however not realised and so for comparison purposes, the actual rate of return is interest as a factor of market value of holding being 4.69 per cent.
12. The performance of 6.24 per cent for CCLA includes accruals and therefore creates a marginal difference between councils on the calculated return achieved.

### **Land and Property**

13. The council holds a portfolio of investment properties, which includes land, offices and shops that are let on a commercial basis. These assets had a net book value of £8.4 million at 31 March 2018 (£8.4 million as at 31 March 2017) and generated income of £0.5 million (£0.5 million in 2016/17). This is equivalent to a gross return of 6.30 per cent.
14. Due to movement in property values and the exclusion of whole life costs, these rates of return should not be taken as a direct comparison with the treasury rates.

### **Liquidity and yield**

15. The council uses short-term investments to meet daily cash-flow requirements and has also aims to invest a proportion of the portfolio over longer dated cash deposits where possible.
16. The amount maintained for liquidity was £7.5 million and was above the benchmark. This was due to the better rates of return on MMFs compared with other short-term deposits making it more attractive to hold funds short.

South Oxfordshire District Council investments (excluding KSF) as at 31 March 2018

Counterparty	Deposit Type	Maturity Date	Principal	Rate
Progressive Building Society	Fixed	Apr-18	3,500,000	0.75%
Goldman Sachs International Bank	Fixed	Apr-18	2,000,000	0.92%
National Counties Building Society	Fixed	Apr-18	2,500,000	0.77%
Skipton Building Society	Fixed	Apr-18	2,000,000	0.75%
Close Brothers	Fixed	Apr-18	2,000,000	0.80%
Monmouthshire Building Society	Fixed	Apr-18	1,000,000	0.75%
Newcastle Building Society	Fixed	Apr-18	2,000,000	0.78%
Newcastle Building Society	Fixed	May-18	2,000,000	0.77%
National Counties Building Society	Fixed	May-18	1,000,000	0.77%
Newcastle Building Society	Fixed	May-18	2,000,000	0.77%
National Counties Building Society	Fixed	May-18	1,500,000	0.80%
Monmouthshire Building Society	Fixed	May-18	1,500,000	0.78%
Principality Building Society	Fixed	May-18	2,000,000	0.78%
Principality Building Society	Fixed	Jun-18	3,000,000	0.77%
Nottingham Building Society	Fixed	Jun-18	1,000,000	0.76%
Goldman Sachs International Bank	Fixed	Jun-18	2,000,000	0.78%
Newcastle Building Society	Fixed	Jun-18	1,500,000	0.78%
Principality Building Society	Fixed	Jul-18	4,000,000	0.77%
Principality Building Society	Fixed	Jul-18	2,000,000	0.75%
Nottingham Building Society	Fixed	Jul-18	2,000,000	0.76%
Progressive Building Society	Fixed	Jul-18	2,500,000	0.78%
Skipton Building Society	Fixed	Jul-18	2,000,000	0.77%
Goldman Sachs International Bank	Fixed	Jul-18	2,000,000	0.91%
Newcastle Building Society	Fixed	Aug-18	2,000,000	0.80%
Newcastle Building Society	Fixed	Aug-18	2,000,000	0.80%
Goldman Sachs International Bank	Fixed	Sep-18	2,000,000	0.97%
Nottingham Building Society	Fixed	Oct-18	1,000,000	0.78%
Progressive Building Society	Fixed	Oct-18	1,000,000	0.78%
Progressive Building Society	Fixed	Nov-18	2,000,000	0.81%
Skipton Building Society	Fixed	Nov-18	2,000,000	0.86%
National Counties Building Society	Fixed	Dec-18	1,500,000	0.90%
Goldman Sachs International Bank	Fixed	Dec-18	2,000,000	1.00%
Cumberland Building Society	Fixed	Jan-19	2,000,000	0.90%
Goldman Sachs International Bank	Fixed	Feb-19	2,000,000	1.05%
National Counties Building Society	Fixed	Feb-19	2,000,000	0.95%
Monmouthshire Building Society	Fixed	Feb-19	2,000,000	0.90%
Nottingham Building Society	Fixed	Feb-19	2,000,000	0.86%
Royal Bank of Scotland	Fixed	Feb-19	2,000,000	1.40%
Close Brothers	Fixed	Mar-19	2,000,000	1.15%
Close Brothers	Fixed	Mar-19	3,000,000	1.15%
Stockport MBC	Fixed	Mar-19	2,000,000	0.90%
Close Brothers	Fixed	Mar-19	2,000,000	1.15%
Close Brothers	Fixed	Mar-19	1,000,000	1.10%
National Counties Building Society	Fixed	Mar-19	1,000,000	1.02%
Close Brothers	Fixed	Apr-19	2,000,000	1.10%
Royal Bank of Scotland	Fixed	Apr-19	3,000,000	1.31%
Close Brothers	Fixed	Nov-19	3,000,000	1.10%
Kingston upon Hull City Council	Fixed	Aug-20	3,500,000	2.70%
Kingston upon Hull City Council	Fixed	Aug-20	1,500,000	2.70%
Kingston upon Hull City Council	Fixed	Jan-21	2,000,000	2.50%
Bury MBC	Fixed	Jul-21	5,000,000	1.50%
Santander	Call		9,237,756	0.25%
Royal Bank of Scotland	Call		2,329	0.25%
Royal Bank of Scotland	Call		95,101	0.25%
Goldman Sachs	MMF		2,310,000	Variable
Blackrock	MMF		690,000	Variable
L&G Equities	Unit trust		11,642,721	Variable
CCLA - property fund	Property fund		5,000,000	4.61%
<b>GRAND TOTAL</b>			<b>134,477,907</b>	

Vale of White Horse District Council investments as at 31 March 2018

Counterparty	Deposit Type	Maturity Date	Principal	Rate
Wirral Council	Fixed	Apr-18	3,000,000	0.85%
Cumberland Building Society	Fixed	May-18	2,000,000	0.56%
Places for People Homes Ltd	Fixed	Jun-18	2,000,000	1.70%
Places for People Homes Ltd	Fixed	Jun-18	2,000,000	1.25%
Slough Borough Council	Fixed	Jun-18	2,000,000	0.60%
Skipton Building Society	Fixed	Jun-18	5,000,000	0.77%
Goldman Sachs International Bank	Fixed	Jun-18	2,000,000	0.94%
National Counties Building Society	Fixed	Jul-18	2,000,000	0.72%
Goldman Sachs International Bank	Fixed	Sep-18	2,000,000	0.99%
Close Brothers Ltd	Fixed	Sep-18	2,000,000	0.90%
Goldman Sachs International Bank	Fixed	Oct-18	2,000,000	0.99%
Principality Building Society	Fixed	Nov-18	3,000,000	0.70%
Saffron Building Society	Fixed	Nov-18	3,000,000	0.90%
Newcastle Building Society	Fixed	Dec-18	1,500,000	0.88%
Nottingham Building Society	Fixed	Jan-19	2,000,000	0.86%
Lloyds Bank	Fixed	Jan-19	10,000,000	0.85%
Close Brothers Ltd	Fixed	Nov-19	2,000,000	1.10%
Close Brothers Ltd	Fixed	Mar-20	2,000,000	1.35%
Hull City Council	Fixed	Aug-20	2,000,000	2.70%
Hull City Council	Fixed	Jan-21	2,000,000	2.50%
Goldman Sachs	MMF		4,540,000	0.34%
LGIM	MMF		3,000,000	0.37%
CCLA	Property fund		2,000,000	4.69%
<b>GRAND TOTAL</b>			<b>63,040,000</b>	

Note – these do not reconcile to table 1 figures seen in appendix c and d as these are original investment levels whereas the values in table 1 are the fair values of investments held.

GLOSSARY OF TERMS

<b>Basis point (BP)</b>	1/100th of 1%, i.e. 0.01%
<b>Base rate</b>	Minimum lending rate of a bank or financial institution in the UK.
<b>Benchmark</b>	A measure against which the investment policy or performance of a fund manager can be compared.
<b>Bill of Exchange</b>	A non-interest-bearing written order used primarily in international trade that binds one party to pay a fixed sum of money to another party at a predetermined future date.
<b>Callable Deposit</b>	A deposit placed with a bank or building society at a set rate for a set amount of time. However, the borrower has the right to repay the funds on pre agreed dates, before maturity. This decision is based on how market rates have moved since the deal was agreed. If rates have fallen the likelihood of the deposit being repaid rises, as cheaper money can be found by the borrower.
<b>[Cash] Fund Management</b>	Fund management is the management of an investment portfolio of cash on behalf of a private client or an institution, the receipts and distribution of dividends and interest, and all other administrative work in connection with the portfolio.
<b>Certificate of Deposit (CD)</b>	Evidence of a deposit with a specified bank or building society repayable on a fixed date. They are negotiable instruments and have a secondary market; therefore the holder of a CD is able to sell it to a third party before the maturity of the CD.
<b>Commercial Paper</b>	Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations and other borrowers. Such instruments are unsecured and usually discounted, although some may be interest bearing.
<b>Corporate Bond</b>	Strictly speaking, corporate bonds are those issued by companies. However, the term is used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
<b>Counterparty</b>	Another (or the other) party to an agreement or other market contract (e.g. lender/borrower/writer of a swap/etc.)
<b>Credit Default Swap (CDS)</b>	A swap designed to transfer the credit exposure of fixed income products between parties. The buyer of a credit swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the product. By doing this, the risk of default is transferred from the holder of the fixed income security to the seller of the swap.

<b>Capital Financing Requirement (CFR)</b>	The amount the council has to borrow to fund its capital commitments.
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy.
<b>CLG</b>	[Department for] Communities and Local Government.
<b>Derivative</b>	A contract whose value is based on the performance of an underlying financial asset, index or other investment, e.g. an option is a derivative because its value changes in relation to the performance of an underlying stock.
<b>Debt Management Account Deposit Facility (DMADF)</b>	Deposit Account offered by the Debt Management Office, guaranteed by the UK government
<b>European Central Bank (ECB)</b>	European Central Bank – sets the central interest rates in the EMU area. The ECB determines the targets itself for its interest rate setting policy; this is the keep inflation within a band of 0 to 2%. It does not accept that monetary policy is to be used to manage fluctuations in unemployment and growth caused by the business cycle.
<b>European and Monetary Union (EMU)</b>	The Economic and Monetary Union (EMU) is an umbrella term for the group of policies aimed at converging the economies of all member states of the European Union.
<b>Equity</b>	A share in a company with limited liability. It generally enables the holder to share in the profitability of the company through dividend payments and capital appreciation. Equity values can decrease as well as increase.
<b>Forward Deal</b>	The act of agreeing today to deposit funds with an institution for an agreed time limit, on an agreed future date, at an agreed rate.
<b>Forward Deposits</b>	Same as forward dealing (above).
<b>Fiscal Policy</b>	The government policy on taxation and welfare payments.
<b>GDP</b>	Gross Domestic Product.
<b>[UK] Gilt</b>	Registered UK government securities giving the investor an absolute commitment from the government to honour the debt that those securities represent.
<b>LIBID</b>	London inter-bank bid rate
<b>LIBOR</b>	London inter-bank offered rate.

<b>Money Market Fund</b>	A well rated, highly diversified pooled investment vehicle whose assets mainly comprise of short-term instruments. It is very similar to a unit trust, however in a MMF.
<b>Monetary Policy Committee (MPC)</b>	Government body that sets the bank rate (commonly referred to as being base rate). Their primary target is to keep inflation within plus or minus 1% of a central target of 2% in two years time from the date of the monthly meeting of the committee. Their secondary target is to support the government in maintaining high and stable levels of growth and employment.
<b>Other Bond Funds</b>	Pooled funds investing in a wide range of bonds.
<b>PWLB</b>	Public Works Loan Board.
<b>QE</b>	Quantitative Easing.
<b>Retail Price Index</b>	Measurement of the monthly change in the average level of prices at the retail level weighted by the average expenditure pattern of the average person.
<b>Sovereign Issues (excl UK Gilts)</b>	Bonds issued or guaranteed by nation states, but excluding UK government bonds.
<b>Supranational Bonds</b>	Bonds issued by supranational bodies, e.g. European Investment Bank. The bonds – also known as Multilateral Development Bank bonds – are generally AAA rated and behave similarly to gilts, but pay a higher yield (“spread”) given their relative illiquidity when compared with gilts.
<b>Treasury Bill</b>	Treasury bills are short-term debt instruments issued by the UK or other governments. They provide a return to the investor by virtue of being issued at a discount to their final redemption value.



# Audit and governance work programme

containing Audit and Governance Committee work to  
be undertaken

30 SEPTEMBER 2018 - 30 MARCH 2019



The audit and governance work programme belongs to the councils' Joint Audit and Governance Committee and sets out a schedule of work for the period shown above. It is a rolling plan, subject to change at each Committee meeting; however, the councils may allocate additional work.

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
<b>Internal audit activity report – second quarter 2018/19</b>	Joint Audit and Governance Committee 15 October 2018	Victoria Hughes Email: <a href="mailto:victoria.hughes@southandvale.gov.uk">victoria.hughes@southandvale.gov.uk</a>	The council audits its services through the internal audit service in line with the approved internal audit plan 2018/19.	To summarise the outcomes of recent internal audit activity for the committee to consider. The committee is asked to review the report and main issues arising, and seek assurance that action has been or will be taken where necessary.	This is a recurring agenda item and is updated at each meeting.

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
<b>Internal audit management report - second quarter 2018/19</b>	Joint Audit and Governance Committee 15 October 2018	Victoria Hughes, Email: <a href="mailto:victoria.hughes@southandvale.gov.uk">victoria.hughes@southandvale.gov.uk</a>	The committee monitors the effectiveness of internal audit each quarter against the approved audit plan	To report on management issues, summarise the first quarter progress of the internal audit team against the 2018/19 audit plan, and summarise the priorities and planned audit work for quarter three.	This is a recurring agenda item and is updated at each meeting.
<b>Comments and complaints 2017/18</b>	Joint Audit and Governance Committee 15 October 2018	Sally Truman Email: <a href="mailto:sally.truman@southandvale.gov.uk">sally.truman@southandvale.gov.uk</a>	The committee is responsible for monitoring the councils' comments and complaints.	To review the comments and complaints received during 2017/18	
<b>Code of Conduct – annual report 2017/18</b>	Joint Audit and Governance Committee 15 October 2018	Margaret Reed, Email: <a href="mailto:margaret.reed@southandvale.gov.uk">margaret.reed@southandvale.gov.uk</a>	The Committee has responsibility for having an overview of the standards of conduct framework for councillors, any co-opted members and parish councillors.	To review complaints received under code of conduct.	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
<b>Risk Management Update</b>	Joint Audit and Governance Committee 15 October 2018	Yvonne Cutler-Greaves, Email: <a href="mailto:Yvonne.cutler-greaves@southandvale.gov.uk">Yvonne.cutler-greaves@southandvale.gov.uk</a>	The committee agreed to receive regular progress reports on the implementation of the risk management framework	To review and comment on progress	
<b>External auditor's annual audit letter</b>	Joint Audit and Governance Committee 15 October 2018	William Jacobs, Email: <a href="mailto:william.jacobs@southandvale.gov.uk">william.jacobs@southandvale.gov.uk</a>	The external auditor is responsible for auditing the councils' business.	To consider the external auditor's annual audit letter 2017/18	
<b>Code of Conduct – annual report 2017/18</b>	Joint Audit and Governance Committee 28 January 2019	Margaret Reed, Email: <a href="mailto:margaret.reed@southandvale.gov.uk">margaret.reed@southandvale.gov.uk</a>	The Committee has responsibility for having an overview of the standards of conduct framework for councillors, any co-opted members and parish councillors.	To review complaints received under code of conduct.	
<b>External auditor's report on the certification of claims and returns 2017/18</b>	Joint Audit and Governance Committee 28 January 2019	William Jacobs, Email: <a href="mailto:william.jacobs@southandvale.gov.uk">william.jacobs@southandvale.gov.uk</a>	The external auditor to report on certification and other assurance work.	To consider the external auditor's report	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
<b>External auditor's audit planning reports 2018/19</b>	Joint Audit and Governance Committee 28 January 2019	William Jacobs, Email: <a href="mailto:william.jacobs@southandvale.gov.uk">william.jacobs@southandvale.gov.uk</a>	The external auditor to report on how it intends to carry out its responsibilities as auditor	To consider the external auditor's report	
<b>Internal audit charter</b>	Joint Audit and Governance Committee 28 January 2019	Victoria Hughes, Email: <a href="mailto:victoria.hughes@southandvale.gov.uk">victoria.hughes@southandvale.gov.uk</a>	The committee is responsible for approval of the internal audit charter which requires periodic review.	To review and approve the internal audit charter.	
<b>Treasury management mid-year monitoring 2018/19</b>	Joint Audit and Governance Committee 28 January 2019	Richard Spraggett, Email: <a href="mailto:richard.spraggett@southandvale.gov.uk">richard.spraggett@southandvale.gov.uk</a>	The committee is responsible for the scrutiny of the councils' treasury management activity.	To review the councils' treasury management activities for the first six months of the 2018/19 financial year.	
<b>Treasury management strategies 2018/19</b>	Joint Audit and Governance Committee 28 January 2019	Richard Spraggett, Email: <a href="mailto:richard.spraggett@southandvale.gov.uk">richard.spraggett@southandvale.gov.uk</a>	The committee is responsible for the scrutiny of the councils' treasury management activity and to propose a strategies to Councils, via Cabinets, for the management of this function in the forthcoming year.	To scrutinise the treasury management strategies and policies and if required, make recommendations for amendment to Cabinets	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
<b>Risk Management Update</b>	Joint Audit and Governance Committee 25 March 2019	Yvonne Cutler-Greaves, Email: <a href="mailto:Yvonne.cutler-greaves@southandvale.gov.uk">Yvonne.cutler-greaves@southandvale.gov.uk</a>	The committee agreed to receive regular progress reports on the implementation of the risk management framework	To review and comment on progress	
<b>Internal audit plan 2019/20</b>	Audit and Governance Committee 25 March 2019	Victoria Hughes, Email: <a href="mailto:victoria.hughes@southandvale.gov.uk">victoria.hughes@southandvale.gov.uk</a>	The council audits its services through the internal audit service.	To approve the internal audit plan for 2019/20	
<b>Review of statement of accounting policies</b>	Joint Audit and Governance Committee 25 March 2019	Richard Spraggett, Email: <a href="mailto:richard.spraggett@southandvale.gov.uk">richard.spraggett@southandvale.gov.uk</a>	To audit and review the policies and principles used when compiling the 2018/19 accounts.		