Public Document Pack

Agenda

Contact Officer: Kathy Fiander, Democratic Services Officer

Tel: 01491 823649

Fax: 01491 823605

E-mail: kathy.fiander@southandvale.gov.uk

Date: 18 September 2013

Website: http://www.southoxon.gov.uk

A MEETING OF THE

Audit and Corporate Governance Committee

WILL BE HELD ON THURSDAY 26 SEPTEMBER 2013 AT 6.00 PM

COUNCIL CHAMBER, COUNCIL OFFICES, CROWMARSH GIFFORD

Members of the Committee:

Mr Michael Welply (Chairman)

Mr Philip Cross (Vice-Chairman)
Mr David Bretherton
Mr John Cotton
Ms Kristina Crabbe
Mrs Margaret Davies
Mr Neville F Harris
Mr Paul Harrison

Substitutes

Mr Roger Bell
Mr Bernard Cooper
Mrs Pat Dawe
Mr Leo Docherty
Mrs Eleanor Hards
Mr Stephen Harrod
Dr Christopher Hood
Mrs Denise Macdonald
Ms Anne Purse
Mr Robert Simister
Mr David Turner

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

2 Declaration of disclosable pecuniary interest

3 Minutes of the previous meeting

Minutes of the meeting on 9 July (distributed separately).

2012/13 items

4 Review of complaints received during 2012/13 (Pages 5 - 28)

Purpose: to provide the committee with information and statistics about the complaints received during 2012/13

5 Treasury management outturn report (Pages 29 - 48)

Purpose: to fulfil the legislative requirements to ensure the adequate monitoring and reporting of the treasury management activities. It reports the performance of the treasury management function (the management of the council's investments) for the financial year 2012/13. This complies with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA's) Code of Practice on Treasury Management (revised) 2009.

6 Ernst & Young: audit results report 2012/13

Purpose: to consider the report summarising Ernst & Young's preliminary audit conclusion in relation to the council's financial position and results of operations for 2012/13 **(report to follow)**

7 Letter to those charged with governance

Purpose: to consider and agree the letter **(to follow)**

8 Letter of representation

Purpose: to consider and agree the letter of representation **(to follow)**

9 Approval of final statement of accounts 2012/13

Purpose: to approve the statement of accounts 2012/13

10 Annual governance statement - final (Pages 49 - 68)

Purpose: to approve the annual governance statement.

If committee members have questions on the Annual Governance Statement, it would help if they were submitted to the clerk by the morning of the meeting in order to get a response beforehand. Otherwise we may not be able to answer the question at the meeting.

2013/14 items

11 Internal audit management report (Pages 69 - 78)

Purpose: to report on management issues within internal audit, to summarise the progress against the 2013/2014 audit plan up to 5 September 2013 and to summarise the priorities for quarter three 2013/2014.

12 Internal audit activity report (Pages 79 - 98)

Purpose: to summarise the outcomes of recent internal audit activity for the committee to consider. The committee is asked to review the report and the main issues arising, and seek assurance that action has been or will be taken where necessary.

MARGARET REED

Head of Legal and Democratic Services

This page is intentionally left blank

Audit and Corporate Governance Committee

Report of: Chief Executive

Author: Jeanette Cox

Telephone: 01491 823103

Textphone: 18001 01491 823103

E-mail: jeanette.cox@southandvale.gov.uk

Cabinet member responsible: Ann Ducker

Tel: 01491 823131

Email: ann.ducker@southoxon.gov.uk

To: Audit and Corporate Governance Committee

Date: 26 September 2013

Review of complaints received during 2012/13

Purpose of report

1. The purpose of this report is to provide the committee with information and statistics about the complaints received during 2012/13.

Strategic objectives

2. By analysing complaints we can identify any trends and introduce service improvements, where necessary, thereby supporting the corporate objective to put residents at the heart of service delivery and seek to provide an excellent customer experience.

Background

THE COMPLAINTS PROCEDURE

3. The main benefits of having a council-wide procedure for dealing with complaints are that:

   - members of the public know what to do if they have a complaint and how we will deal with it

- staff can be confident about what to do when they get a complaint
- everyone is treated fairly and equally
- by analysing complaints we can improve our services.

4. A good complaints procedure gives us the opportunity to show that we want to be open and honest; that we care about providing a good service and that we value feedback on problems that need attention. Our procedure from 1 April 2012 to 30 September 2012 had three stages:

   Stage one

   The head of service responded, or arranged for a member of their team to respond on their behalf, within 15 working days of receipt of the complaint. All complaints are logged on our complaints database, which generates daily automatic reminder emails from two working days prior to the target date and continues to do so until details of the response have been entered.

   Stage two

   The relevant strategic director responded within 15 working days of receipt of the request to escalate the complaint to stage two. Again, the complaints database generates daily automatic reminder emails from two working days prior to the target date.

   Stage three

   The complainant wrote to the chief executive, within six weeks of the strategic director's response, asking for district councillors to consider their complaint. The chief executive decided whether or not there was merit in referring the complaint to a panel of councillors. The procedure did not specify a response time; however, the chief executive aimed to advise the complainant of his decision in accordance with our published service standards, i.e. within ten working days of receipt of the request. If, in his view, there was merit in referring the complaint to councillors, we convened a special complaints panel made up from members of the Audit and Corporate Governance Committee.

   If, having followed our complaints procedure, the complainant remains dissatisfied; s/he has the right to ask the local government ombudsman to investigate their complaint.

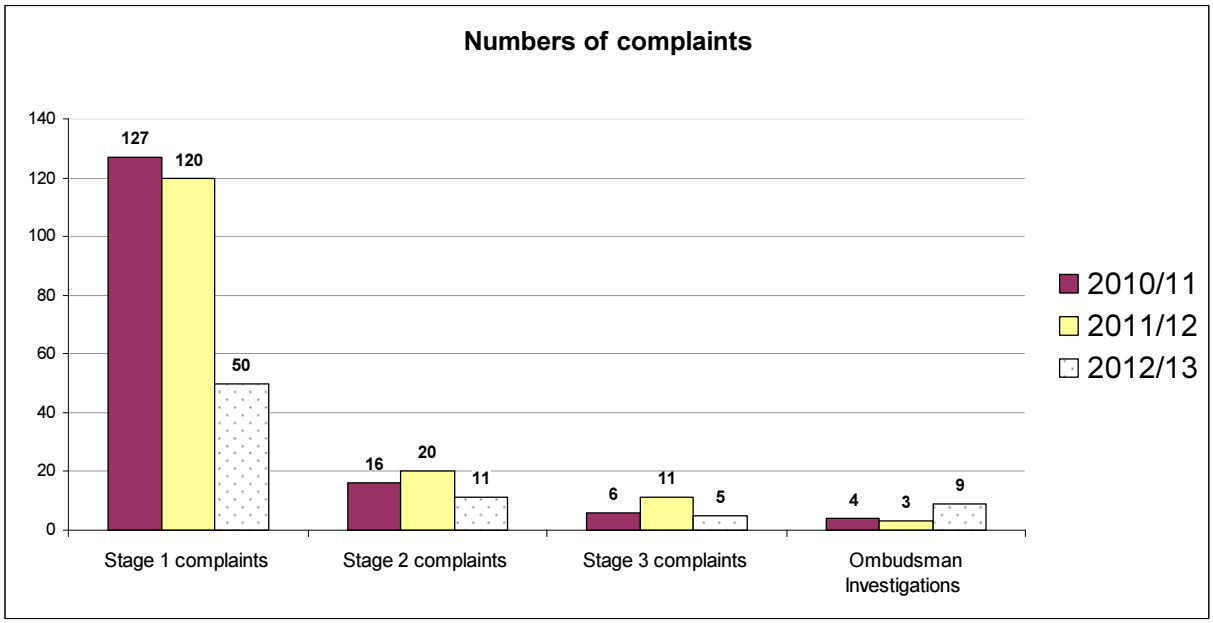
5. At its meeting on 10 July 2012 this committee agreed to introduce a revised complaints procedure. The changes included:

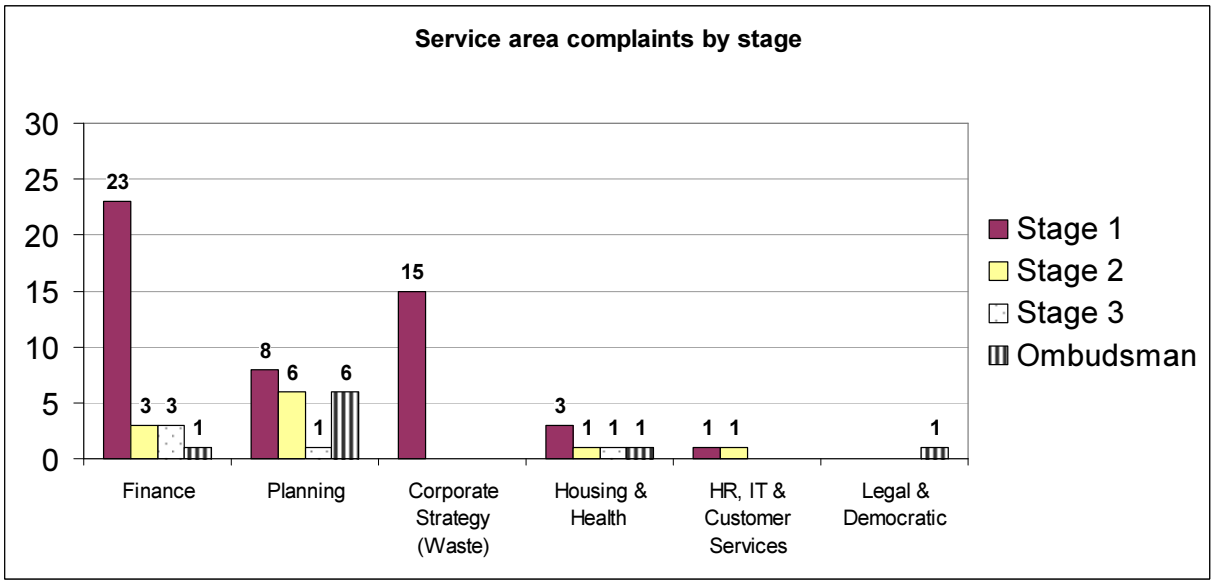
   - the time limit for responding to complaints was amended to 20 calendar days
   - an independent member of the strategic management board deals with complaints at stage two (i.e. not the director whose portfolio the complaint relates to)
   - the deletion of stage three from the process.

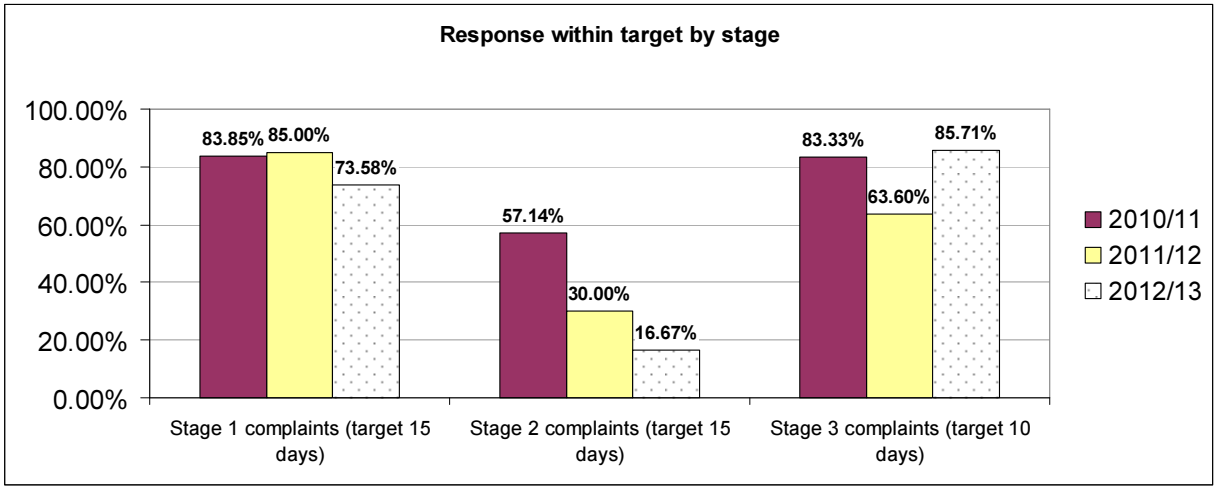
We introduced the revised procedure on 1 October 2012.

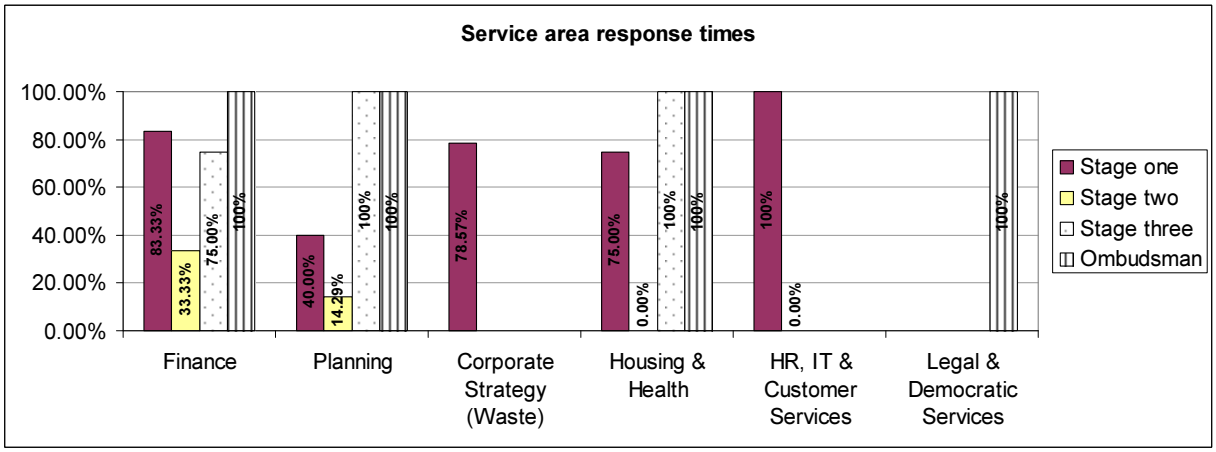
COMPLAINTS STATISTICS

Statistics









Summary of complaint details

6. The number of complaints received at stage one has reduced significantly from 120 last year to 50 in 2012/13. Complaints have reduced across all services apart from waste, which has increased from ten to 15.

7. Finance and waste received the highest number of complaints.

   Finance: 23 complaints received this year compared to 64 last year mainly around receipt of summonses, bailiff action and inaccuracy/delay in dealing with benefit payments. No changes in practice were required as a result of these complaints.

   Waste: 15 complaints received this year compared to 10 last year mainly about the behaviour of the crews and missed collections. None resulted in the need for a change in practice.

9. The percentage of stage one and stage two complaints dealt with within target has worsened compared to last year; in particular the response time for stage two complaints about the planning service is very poor. The chief executive is addressing this.

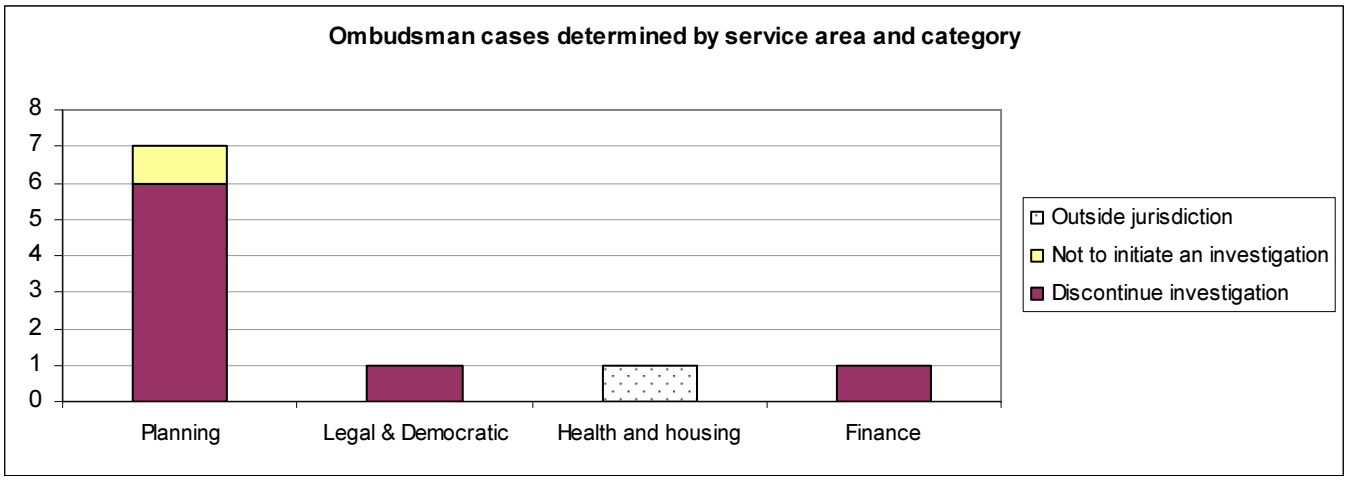
10. Unfortunately, in one instance, the date of receipt of a stage two complaint about a benefit claim was entered incorrectly on the complaints database (the year was entered as 0012 instead of 2012). This resulted in no automatic reminder emails being generated and no response being issued. The complainant did not contact us regarding the lack of a response and the complaint has since been referred to, and is being dealt with by, the appeals tribunal. All officers with access to the complaints database have been reminded of the importance of ensuring they enter accurate data. In addition, the IT team is revising the complaints database so that it will not accept invalid dates. These two actions should ensure there are no recurrences.

Local Government Ombudsman investigations

11. The LGO changed its business processes during the course of 2012/13 and was therefore not able to provide a consistent set of data for the entire year. As it has been unable to provide the detailed information received in previous years, we have taken the data below from our own records.

12. We responded to investigations within an average of 21.6 days, an improvement on last year's average of 25.7 and well inside the target of 28 calendar days set by the LGO.

13. During 2012/13 the LGO determined ten complaints, the same as during the previous year. The following table provides details by service area of those complaints.



14. A summary of these complaints is attached at appendix one.

Categories of Ombudsman Complaints:

The LGO categories are:

Not to initiate an investigation:	Where the LGO has decided not to investigate for one of the following reasons: ***No power to investigate*** **–** complaints that the law does not allow the LGO to investigate

No reason to use exceptional power to investigate – complaints that the law says the LGOs should generally not investigate but gives and exceptional power to do so

Investigation not justified and other – complaints where the LGO has used her general power and not pursued the complaint. This can be for a variety of reasons, including that the injustice claimed does not warrant the public expense of the LGO's involvement or that another organisation could deal with the matter better.

Discontinue Investigation: Where the LGO has discontinued an investigation for one of the following reasons:

Not enough evidence of fault – decisions where the LGO found insufficient evidence that the council was at fault.

Injustice remedied during enquiries – decisions where the council remedied or agreed to remedy any injustice to the LGO's satisfaction during the investigation.

No or minor in **injustice and other –** decisions where we have used the LGO's general power to discontinue the investigation. This can be for a variety of reasons, but the most common is that any injustice caused does not justify the public expense of pursing the matter further.

Outside jurisdiction: These are cases which are outside the LGO's jurisdiction.

Financial implications

16. There are no financial implications arising directly from this report.

Legal implications

17. There are no legal implications arising from this report.

Risks

18. Having a formal complaints procedure allows us to analyse complaints and improve services where necessary; it also gives members of the public clarity about what to do if they have a complaint, and how we will deal with it. If we did not have a formal procedure, we would be unable to carry out such analysis, with the risk that we would fail to make service improvements.

Other implications

19. There are no human resources, sustainability, equality or diversity implications arising directly from this report.

Conclusion

20. This report sets out the statistical data for complaints received during 2012/13.

21. Last year saw a significant reduction in the number of complaints received, compared to the previous two years, which is encouraging. We do try to learn from complaints and adjust our working practices where necessary and this may be paying dividends. It will need more than one year to confirm that there is downward trend but the signs from the current year to date are promising.

Background papers

None

Appendix one

OMBUDSMAN DECISIONS – 1 APRIL 2012 TO 31 MARCH 2013

1. Ombudsman decision – discontinue investigation

Decision date – 7 August 2012

Ombudsman main subject area – planning and development

Complaint

That:

- the council failed to follow procedure
- there were factual errors in the case officer's report
- the council granted planning permission contrary to the South Oxfordshire Local Plan and the South Oxfordshire Design Guide
- the council disregarded the town council and highway authority's objections.

Background

In September 2011 Mrs A's neighbours submitted a planning application to demolish a garage and build a single and two-storey side and rear extension.

Mrs A objected to the application on 15 October 2011 as she was concerned that the extension would be overbearing and result in a loss of light and privacy; she was also concerned about the parking provisions. The town council and highways authority also objected to the application.

In response to the concerns about lack of on-site parking, the applicant submitted revised plans on 9 November 2011 and officers invited further representations by 24 November 2011 and Mrs A responded on 15 November 2011 raising further concerns over the parking provisions.

The case officer prepared a report recommending approval and permission was granted on 21 November 2011. Officers acknowledge their error in approving the application within the consultation period and have apologised to Mrs A. In addition, an incorrect date for receipt of the amended parking plan was given in the report. An earlier version of that plan was received on 24 October 2011, but the version sent out for consultation and published on our website was a later version received on 9 November 2011. The officer's report should have referred to the plans received on 9 November 2011; officers also acknowledge this error and have apologised for any confusion this error caused.

Mrs A also raised concerns about other errors in the report. In the planning history section the report states there were no extensions to the property; Mrs A stated that this was incorrect as the garage was an extension. There are no planning history records showing an extension to the property; any extension must therefore have been built under permitted development rights. The officer's report

refers to “relevant planning history” and is used only to provide information on previous planning applications; the report is therefore factually correct.

The case officer’s report referred to a bedroom window in Mrs A’s property as being a secondary source of light. This was incorrect as it is the only window in the bedroom. Officers acknowledged this mistake but stated that the recommendation would have been the same even if the report had accurately reflected the situation.

Mrs A made a formal complaint in which she claimed that officers did not follow the South Oxfordshire Local Plan (SOLP) or the South Oxfordshire Design Guide (SODG). However, both the case officer and authorising manager considered that the application was in line with SOLP and SODG and there were no clear planning reasons to refuse the application. The case officer considered that the application would not result in an overdevelopment of the site, would appear in keeping with the scale and design of the property and would have little adverse impact upon the original character. She also considered that the proposals would have little detrimental impact on the surrounding street scene. In addition, the case officer had visited the properties on either side of the application site. She considered that, although there would be some loss of light and outlook to a landing window and a bedroom in Mrs A’s property, it would not be so significant as to have a detrimental impact upon Mrs A’s living conditions.

Mrs A also raised concerns about the proximity of the extension to the boundary with her property. She claimed it contravened the SODG as it did not leave a gap of one metre to the boundary. There was no existing access at the side of the application site as the garage occupied that space; the proposal was therefore similar at ground level, in relation to the common boundary, as the current garage.

Mrs A, the town council and the highway authority raised concerns about the parking provision. The revised plans showed the two parking spaces at the site would overhang onto the footway. Mrs A was concerned this would obstruct the footway and entry into her property. The highway authority did not consider the application met current standards as the site could not accommodate two parking spaces so vehicles would overhang the footway.

The position is complicated, however, by the fact that the applicant’s property is on a private road and has no public highway rights attached to it. So, although the highway authority considered the proposal was not acceptable, it has no jurisdiction over the drive and footway. The highway authority was concerned that a refusal based solely on the parking arrangements would be difficult to sustain at appeal.

The officer’s report acknowledges all the concerns raised regarding parking. The officer stated that the plans showed access and egress from Mrs A’s property would be unobstructed and, given the layout of the street, vehicles were unlikely to be travelling at speed. The officer therefore concluded that, as the form of development was acceptable, a refusal based on parking arrangements and the impact on the highway would be difficult to sustain at appeal.

In addition, the officer did not consider the town council's objections held sufficient weight to justify a refusal of planning permission. There were no clear planning grounds for refusing the application that could have been defended at appeal.

Finally, Mrs A considered the application should have been referred to planning committee, rather than dealt with under delegated powers. The only instance when this type of householder application is referred to planning committee is when a district councillor specifically requests it; no such request was received in respect of this application.

Ombudsman's conclusions

The ombudsman's investigator acknowledged that officers had apologised for the errors made during the processing of the application. She did not consider there was any evidence to suggest the outcome would have been any different if those errors had not bee made.

The investigator said that the grant of planning permission was a matter of officers' professional judgement and the ombudsman would not consider complaints about officers' judgment and the merits of their decisions unless she believed they were utterly unreasonable. She did not consider this to be the case in this instance.

The investigator said that the case officer's report showed that the officer had considered the objections made by neighbours, the town council and the highway authority. It also showed consideration of the SOLP and SODG. She pointed out that the case officer's manager had considered and endorsed her recommendation and that neither had considered there were clear planning reasons to refuse the application. She finished by saying that, although the parking provisions contravened the SODG, officers did not consider a refusal solely on this basis could be sustained at appeal. The head of planning had delegated authority to determine the application as he had not received a request to refer the application to planning committee.

In light of the above, the investigator discontinued her investigation.

2. Ombudsman decision – discontinue investigation

Decision date – 17 July 2012

Ombudsman main subject area – planning and development

Complaint

That the council:

- in approving a planning application, failed to take account of the impact on Mr B's amenity
- based its decision on accurate information
- failed to ensure Mr B had an opportunity to address the town council.

Appendix one

Background

Officers received a planning application for a single and two-storey rear extension adjacent to Mr B's property on 20 October 2011. They issued consultation letters on 3 November 2011 and the case officer visited on the site on 4 November 2011. The town council recommended approval of the application on 16 November 2011.

Mr B submitted objections on 23 November 2011 and the case officer carried out a further site visit on 8 December 2011, including a visit to Mr B's property. The application was granted under delegated powers on 15 December 2011.

Ombudsman's conclusions

The ombudsman's investigator could find no evidence of fault in how officers had considered the impact of the development on Mr B's amenity. She noted that the case officer had visited Mr B's property to view the relationship between the two sites. The investigator was therefore satisfied that the case officer had a good understanding of how the development would impact on Mr B's amenity. She added that it is not the role of the ombudsman to comment on the merits of an officer's judgement.

The investigator could not consider Mr B's concerns about how the town council considered the application. She added that the actions of the town council are outside the ombudsman's jurisdiction and that this council did not have any control over how the town council handled consultation responses.

The investigator could find no grounds on which to criticise the council and discontinued her investigation.

3. Ombudsman decision – discontinue investigation

Decision date – 3 August 2012

Ombudsman main subject area – planning and development

Complaint

That the council did not consider building control matters adequately when Mr C's flat was refurbished.

Background

Mr C purchased a flat in August 2010. The flat is part of a larger property which had been sub-divided by a developer; the works were subject to building regulation approval.

Mr C experienced considerable damp and noise at the property and carried out works to try to improve the damp problem. He submitted a complaint in March 2011 as he considered that officers had wrongly approved the property as complying with the building regulations. He considered that:

- adequate background ventilation had not been provided, in particular the living room does not have any windows so there was no ventilation

  During construction the developer revised the specification to provide background ventilation and the building control surveyor considered it met the functional requirements of the building regulations.

- an extractor fan serving the bathroom was too long

  Mr C did not provide any evidence that the duct was 20 metres long. At the completion stage officers had carried out a visual inspection. As the bath and shower room are located close to external walls there was no reason to believe that any of the ventilation ducts were excessively long. Officers provided photographs of the external extractor vents on the front of the building, which means that the ducts would be about seven metres from the internal bathroom. This does not mean they did not comply with the building regulations. It would have been for the developer to ensure compliance by calculating approximate fan size and duct type. At the time there was no requirement for any commissioning or mechanical ventilation flow rate testing.

- the property did not comply with the relevant standards for noise transference.

  Sound testing is a requirement of the building regulations and the government has laid down the relevant criteria and who should undertake tests. The testing is carried out on a sample of separating elements and is not required between all dwellings (flats). In this case the sound tests did not include the party wall or floor to Mr C's property. An accredited company carried out the sound tests and submitted the results to building control officers. The results indicated that one airborne test was below the minimum standard; however, the floor specification was the same as other tested floors which all passed. The building control surveyor considered the overall test results, in the context of conversion of an existing building, as meeting the requirements of the building regulations.

Ombudsman's conclusion

The ombudsman's investigator said it was for Mr C to satisfy himself on the condition of the property when he bought it. If he considered he was not properly advised that he should seek redress from his advisers or agents.

The investigator concluded that officers had inspected the works and exercised their professional judgement in deciding whether they were satisfactory. She was sympathetic to the position in which Mr C found himself but did not consider this was as a result of administrative fault by the council.

In light of the above the investigator discontinued the investigation.

Appendix one

4. Ombudsman decision – discontinue investigation

Decision date – 10 September 2012

Ombudsman main subject area – corporate and other services

Complaint

That the council failed to properly investigate a complaint about a parish councillor.

Background

Ms D complained about the conduct of a parish councillor following an incident on 3 May 2012. Ms D was taking photographs near her business property, which is one of several units. She heard a disturbance and realised the parish councillor was shouting at her. Ms D claims the councillor was hostile and said she had planning issues with the site as a whole. The councillor acknowledged she had a prejudicial interest in planning applications as she lived near the site. Ms D alleges that the councillor took her phone and would not return it; after some time Ms D managed to retrieve the phone. Ms D claims the police have issued a warning for harassment to the councillor and her partner.

Prior to this incident, in February 2012, Ms D had invited the councillor to meet with her with a view to developing a positive relationship as a neighbour and to foster parish council support for her business. A short while after the invitation, Ms D claims the councillor's partner visited her studio and said that the councillor was upset about issues at the site and did not want increased traffic on the country road. Ms D stated that the partner confirmed that he and the councillor were responsible for pushing over signs when Ms D held events at her studio and said they would continue to do so in the future. Ms D said a customer witnessed some of this exchange.

In 2011 the councillor objected to a planning application concerning the site. Ms D alleged the councillor attended parish council meetings in January and August 2011 at which this planning application was discussed and that the councillor had declared a personal interest and remained in the room during discussions. In March 2012 the councillor is stated to have left the room during discussions on the item and had declared a personal interest. Ms D claims that the parish council chairman had spoken with the councillor about her interest before the meeting took place but the minutes do not record a prejudicial interest.

An assessment panel of the council's Standards Committee considered Ms D's complaint on 26 June 2012. The panel decided that no further action should be taken and considered it was not in the public's interest to conduct an investigation as the code of conduct rules were changing from 1 July.

However, the panel expressed concern at the alleged incidents and considered that, should this kind of behaviour escalate, it may result in action under the new code should a further complaint be made.

As the rules changed, Ms D had no right of review against the panel's decision. Under the new arrangements the monitoring officer would consider such a complaint. However, the monitoring officer would not expect to refer such a case for investigation because the significant expenditure of public money, including officer and councillor time, could not be justified for a complaint which, although distressing for Ms D, was not significant enough to pursue an investigation.

Ombudsman's conclusions

The ombudsman's investigator said that the key issue was whether Ms D's complaint had been properly considered. Ms D considered she had been denied her right of review of the decision but the investigator accepted officers' argument that changes to the law meant that there was no longer any provision for a review.

The investigator considered there could be an argument that the reasoning used by the panel for not investigating the complaint was flawed as it appeared the panel had relied on the change of rules to decide that the complaint should not be investigated. She did not consider that should be relevant to the decision, which should be made on the facts of the case. However, the investigator did not consider this of any practical consequence. She said the monitoring officer had explained that, under the new arrangements, she would not investigate the compliant and that was a decision the monitoring officer was entitled to make. The investigator could only question if it she considered it was not properly considered or utterly unreasonable, which she did not. She recognised that Ms D would disagree with the monitoring officer's decision, but the investigator could not say that decision was flawed.

The investigator concluded that, even if the complaint had been reconsidered under the new arrangements, the outcome would have been the same. As there was nothing more she could achieve she closed the investigation.

5. Ombudsman decision – not to initiate an investigation

Decision date – 11 February 2013

Ombudsman main subject area – planning and development

Complaint

That the council had not considered a planning application for extensions to the adjoining semi-detached property properly.

Background

Mr E lives in a link semi-detached property. A planning application was submitted to build a porch on the front of the adjoining property and a first floor extension of the garage. The first floor extension projected beyond the main part of the house at the rear but was separated from Mr E's property by the main part of the neighbouring house. It would link to the neighbouring property on the other side at first floor level. Mr E complained that this would have the effect of making his property an end of terrace rather than a link semi-detached.

The application was approved under delegated powers. The delegated report referred to similar porches and first floor developments that had been permitted. Mr E said that all those developments were original and not later additions.

Ombudsman's conclusions

The ombudsman can only consider the way in which officers considered an application, not the merits of an application. In deciding whether to pursue a complaint, the ombudsman must also consider how the complainant is affected and whether they have sustained sufficient injustice to warrant her involvement.

In this case, the ombudsman's investigator had no reason to doubt Mr E's comments that other porches and infill first floor developments were original rather than later extensions; however, this was not a key point in her view. The investigator said that, in deciding whether the application was acceptable, the officer had to consider the impact on neighbours, on the wider area and generally whether it was acceptable in planning terms. The fact that there were other similar forms of development in the street were relevant considerations, regardless of whether they were original or later additions. She did not consider there was any error here that called into question the decision reached.

She acknowledged that Mr E was aggrieved because he considered the effect of the first floor extension would make his property end of terrace rather than a link semi-detached. She also acknowledged that Mr E considered it would affect the amount of light reaching his conservatory and that the porch would have an adverse impact on him as the side of it would face his front door. However, the investigator considered that offices had properly considered the impact of the development on the amenity of neighbours and generally in planning terms.

The investigator said that she realised Mr E was unhappy with the approved developments but did not consider they would have sufficient impact on him to warrant an investigation. She did not therefore investigate the complaint.

6. Ombudsman decision – discontinue investigation

Decision date – 13 March 2013

Ombudsman main subject area – planning and development

Complaint

That the council failed to effectively control the hours of use of a neighbouring coffee shop. As a result Mr F suffered from noise made by events late at night.

Background

Mr F lives in a mixed residential and retail area next to a coffee shop. In 2010 the planning committee granted planning permission for a change of use from a shop to a coffee house with an outdoor courtyard (with room for two tables) through which customers access the main eatery barn at the rear of the site. At the time officers understood the café would close at 5.30pm with occasional evening use of the barn for community groups, such as knitting clubs. They therefore did not

attach any planning conditions to control the hours of use and did not consult the environmental health team.

In the committee report officers made it clear that the property was not within a primary shopping frontage; they also described the surrounding properties. Officers set out their assessment of the impact of the building on neighbours based on it closing at 5.30pm and added that the current use had not given rise to complaints. They explained that the courtyard was surrounded by commercial properties and its use for additional seating would not be likely to disturb the nearest neighbour (Mr F).

In April 2012 the owner started to put on evening events at the café. These went on past 11pm, sometimes with loud music and the associated noise of people coming and going. There were five events that month and the advertising said these would happen regularly. In addition to the noise from the music, Mr F suffered noise from use of the courtyard area, even when this was just by customers or staff walking through the courtyard to access the eatery barn.

Following Mr F's complaint officers met with the owner to advise her how to avoid creating a nuisance. They installed noise monitoring equipment for four weeks and during this time identified one event that it might consider to be a noise nuisance if it happened regularly. Officers did not consider that one event on its own to be a statutory nuisance.

Officers met with the owner again and made an informal agreement that meant customers would not be outside after 8pm, there would only be acoustic music and no other events than those already discussed. Officers again installed noise monitoring equipment for a further three weeks but there was no excessive noise in that period. Shortly after that period a private party was held at the coffee house until late on a weekday night. Mr F again complained and officers visited the owner to warn her that she had breached the informal agreement

Officers offered to install noise monitoring equipment again but Mr F refused. Officers have received one third party complaint about noise from the coffee house but have not had any more complaints from the public about the private party.

The business does not need a licence unless it plans to hold an evening event, with alcohol, for more than 200 people.

Planning and environmental health officers have not received any further noise complaints in connection with the coffee house. Planning officers are satisfied, for the present, that conditions of the planning permission are being adhered to and there is no current breach of planning control.

Ombudsman's conclusions

The ombudsman's investigator considered whether officers should have imposed a condition controlling hours of use or assessed the impact of increased hours in case that happened. She said that the council had to consider the application before it, including the hours of use. Officers said that the coffee house was not in

a predominantly residential area and that there were takeaway outlets directly opposite with no restriction on hours, as well as various businesses in the locality. Mr F had pointed out that there is only one takeaway outlet and 43 residential properties compared to 12 retail premises. Despite these differences, the investigator said that officers' description of a mixed use of the properties was not wrong. She said that, crucially, the committee report was clear that residential properties adjoin the coffee house.

The investigator did not consider the council should have anticipated the increased opening hours.

The investigator said that the case officer had considered the impact on residents of noise from the courtyard. She said that noise from the courtyard would be heard from Mr F's home and that the officer had to consider whether that was likely to be at an acceptable level and had decided it would not. She added that the officer based his decision on a visit to the premises and his professional judgement. The way in which he reached his decision was not flawed or based on wrong information and the investigator had no basis to criticise his assessment.

She added that officers had considered whether a change of use had occurred and had decided that it had not.

The investigator concluded that there was no evidence of fault in how officers investigated complaints about noise from the coffee house or how they reached the decision that they could not take enforcement action. She therefore discontinued her investigation.

7. Ombudsman decision – discontinue investigation

Decision date – 9 October 2012

Ombudsman main subject area – planning and development

Complaint

That the council wrongly approved planning permission in respect of an area of land directly in front of Mr G's property.

Background

In February 2011 officers received a planning application to revise the parking layout directly in front of Mr G's property and a change of use of the land to private car parking. The application site included part of the public highway, ten parking bays and a grassed area.

Officers notified Mr G of the application and he made representations objecting to the proposals. Mr G's primary concern was safety; he said that under the existing arrangements cars had to drive along the pavement in order to pass parked cars. As the properties in the street are not set back from the pavement, this presented a serious risk to residents and anyone using the pavement.

Appendix one

The town council also objected to the application. It was concerned the development was unneighbourly, out of character in a conservation area and would lead to the degradation of green space.

The case officer assessed the application and prepared a report recommending approval. In that report the officer set out the consultation responses and representations made by local residents. He also confirmed that a large number of local residents and organisations objected to the application but that the highways liaison officer and the forestry officer had no objections.

As the officer's view conflicted with that of the town council, the officer referred the application to the planning committee. Members of the committee visited the site before considering the application and subsequently decided unanimously to grant planning permission.

Mr G was unhappy with the committee's decision and did not consider members gave adequate consideration to the issues. He believed the committee summarily dismissed local residents' concerns. Mr G attended the meeting and registered to speak; two other people also registered to speak against the proposal. Mr G asserted that they were harassed and interrupted by the chairman on several occasions; he believed the chairman had decided from the outset to approve the application.

Committee members receive the agenda papers and all relevant material a week in advance of a meeting. They are therefore able to consider all relevant material planning considerations before making a decision.

As far as conduct of the meeting is concerned, a recording of that meeting (which the ombudsman's investigator has viewed) shows that Mr G and the other objectors were given a total of five minutes to speak. The chairman interrupted the first speaker to advise there were only two minutes left and Mr G and the third objector would need to speak before the end of the five minutes. If they did not, the committee members would be unable to ask them any questions. Mr G raised his objections but the third objector was unable to complete her representations within the time limit.

The chairman also allowed those speaking in support of the application a total of five minutes and interrupted them after five minutes. As a result one of the supporters was unable to speak.

Given the concerns over highway safety, the chairman also asked the highways liaison officer from Oxfordshire County Council (OCC) to present his views on the application. He confirmed that it was his role to compare the situation before and after the proposed development and that, at the time, the road was not stopped up so was open to traffic. He requested that, if the committee approved the application, it imposed a condition that the highway was stopped up at the developer's expense. He considered the proposed situation would be safer than that existing. The officer added that, once the road had been stopped up, there would be a shared surface and he suggested manoeuvres would be at a slow pace. He felt the proposal was sufficiently safe that he did not need to raise an objection. He also felt an objection would not be sustainable at appeal.

Appendix one

Mr G claimed that too much weight was given to the highway officer's view. He did not consider it sufficient to say the proposals would be no worse than the current situation but considered that the council must show the application was safe. He claimed that OCC had a conflict of interest as the developer had threatened the council and OCC with legal action on a related matter.

The highway authority, as part of OCC, comments on all planning applications with the potential to affect the public highway. Officers consider it was appropriate to consult the OCC in this instance. They also consider that the planning committee gave considerable, but not excessive, weight to the highway's officer's view.

The officer's report to the committee concentrated on the material planning issues relating to the proposed development, and all advice given to that committee was that their decision must be reached based on the planning merits of the proposal. Our senior solicitor reiterated that advice during the meeting, who advised that the matter of land ownership was not a material planning consideration. Officers are not aware of any evidence that indicates the committee's decision was influenced by the threat of legal action.

Ombudsman's conclusions

The ombudsman's investigator said that there was not a great deal of debate by the committee members during the meeting, but she had not seen any evidence to suggest they had predetermined the application.

The officer's report showed consideration of the consultation responses and representations as well as the material planning considerations. Committee members visited the site and had the officer's report and all relevant information in advance of the meeting. She therefore expected the members to have had a good understanding of the application. She noted that the committee had listened to, and asked questions of, all speakers.

Having viewed a recording of the committee the investigator did not consider the chairman harassed objectors. She said the chairman's interruptions were to remind speakers of the time limit and to ensure they all had an opportunity to speak. The chairman had also reminded those speaking in support of the application of the time limit and the need for all of them to speak.

The investigator said it was normal practice to obtain the highway authority's views on applications that may affect the highway. She said it was the highway liaison officer's professional judgement that the proposed amendments to the layout would be safer than then existing situation. The investigator had not received any evidence to suggest his professional judgement had been influenced by any other correspondence OCC may have had with the developer.

The investigator therefore discontinued her investigation.

Appendix one

8. Ombudsman decision – discontinue investigation

Decision date – 28 August 2012

Ombudsman main subject area – planning and development

Complaint

That the council:

- failed to remove permitted development rights when granting planning permission for a side extension at a neighbouring property
- failed to notify the parish council and neighbours of the applicant's intention to build rear and loft extensions when it consulted on the application for a side extension
- wrongly informed the applicant and neighbours that the rear extension was permitted development
- failed to follow its enforcement policy when deciding that it was not expedient to take enforcement action.

Background

In June 2009 we granted planning permission for a two-storey side extension at a property on the road in which Mr H lives. Mr H lives several houses away from the property but the bend in the road means he can see the rear of the property from a communal yard. The properties lie within the green belt.

In August 2009 the applicant's architect sought officers' advice on whether single and two-storey rear extensions and a dormer extension would constitute permitted development. An officer advised that the extensions would amount to permitted development and would therefore not require planning permission. The officer further advised that the dormer extension may not require planning permission, but that the materials used should be similar to those on the existing dwelling. In providing this advice the officer warned that it did not bind the council should a planning application be submitted.

In March 2010 Mr H and his neighbours contacted officers to enquire whether the roof extension required planning permission; an officer advised that it was likely it was permitted development.

As a result of further contact from Mr H and his neighbours officers investigated whether there had been a breach of planning control. An officer visited the site and made contact with the architect to request plans. The architect did not submit the plans for the dormer extension.

A planning officer set out her assessment in a delegated report, signed by the chair of planning committee. The officer concluded that, based on its appearance, the dormer extension was permitted development. She made this decision as it did not appear to be larger than the cubic capacity permitted under permitted

development. However, the officer considered that the single and two-storey extensions exceeded permitted development rights.

The officer considered that the materials used were not identical to the original dwelling but were not so different as to conflict with the planning permission granted in 2009 and the requirements of the General Permitted Development Order.

Planning officers considered that the extensions were out of scale, proportion and character with the original dwelling and impacted on the character of the area, the amenity of the nearest neighbour and the green belt. They considered that any retrospective planning application to modify the extension to improve the design, or to bring it within the parameters of permitted development, would be refused because the extensions far exceeded 40per cent of the original volume of the dwelling and would therefore be contrary to the council's planning policies.

Officers considered whether to serve a notice requiring the demolition of the extensions. However, the owner could use their permitted development rights to substantially rebuild the extensions up to the limits of those rights, which would still be disproportionate to the original dwelling. They also considered whether to require partial demolition in order to remove the pitched roof, but concluded that the owner could rebuild it using a flat roof, which would be more detrimental in terms of appearance. They therefore concluded that it was not expedient to take enforcement action as it would not necessarily overcome the harm caused by the developments. Officers considered that the fact that the owner could rebuild under permitted development rights in a way that would not address the harm was a special circumstance for departing from the council's green belt policy.

In 2008 the Government made amendments to the General Permitted development Order that removed the volume limitations on household extensions. Officers acknowledge their advice that the rear extension was permitted development was incorrect but they only established this when the Government provided clarification on the interpretation of the permitted development rules in 2010.

Mr H questioned why officers had not removed permitted development rights when permission was granted for the side extension in 2009. Officers only consider removing permitted development rights in exceptional circumstances, which accords with national planning guidance. It would have been out of kilter with our general approach to the consideration of house extensions in this type of location/ character of area to have imposed such a restriction. However, officers acknowledged that, with the benefit of hindsight, they could have justified the removal of permitted development rights for this property. This was the first case in the area to make full use of the permitted development rights since the amendment to the General Permitted Development Order and brought to light how significantly a property could be extended without requiring planning permission.

Mr H also questioned why officers did not notify the local parish council or neighbours that the owner of intended to carry out further work under permitted development when they made their planning application for a side extension. The reason for this is that officers were not aware of the owner's intentions and,

additionally, there is no legal requirement to inform third parties of work that might be carried out by a house owner as permitted development.

Ombudsman's conclusions

The ombudsman's investigator said that, when considering the planning application for the side extension in 2009, officers should have been aware of the consequences of the amendment to the General Permitted Development Order and the possibility of harm to the green belt if the owners used their permitted development rights to the maximum. She added that she could not know for certain what the outcome would have been if officers had removed permitted development rights, but they would have had move control over the development of the site. She therefore considered that it was likely that a more sympathetic development could have been achieved. The investigator considered that Mr H had been caused some uncertainty as what the outcome could have been and this should be remedied.

The investigator said she could not criticise officers for not notifying the parish council and neighbours when the owner's architect sought advice on whether the extensions would be permitted development. She added that, whilst officers now consider that the rear extensions required planning permission, she could not conclude that this was likely to amount to maladministration as officers gave their advice based on the information they had in 2009.

The investigator said that, whilst Mr H felt officers should take enforcement action, it was not her role to come to a view on whether the unauthorised development merited enforcement action; she could only consider how officers made their decision. She did not consider there was any evidence of fault in the way officers made their decision not to take enforcement action.

She acknowledged that Mr H wanted officers to request a retrospective planning application to include planting to screen the development. However, she was satisfied that officers had considered this and she had no grounds to criticise their professional judgement that this was not a realistic option.

Mr H considered that officers should have taken informal action to try to resolve the breach of planning control. However, the investigator said that councils would generally only seek to resolve a matter by informal means if it had decided it should take enforcement action. As officers had decided not to take enforcement action in this case they could not compel the owner to take any action to address the breach of planning control.

The investigator also said that she could not criticise officers' professional judgement that the materials used were within the spirit of the condition of the 2009 planning permission and had no grounds to question the merits of their decision.

The investigator initially had some concerns that officers had decided the roof extension was permitted development without measuring the development. However, officers explained that they had access to scaled plans; the investigator was therefore satisfied that their decision was properly made.

Finally, the investigator noted that officers had agreed to Mr H's request that they write to the owners to ask them to consider installing planting to soften the appearance of the extension. She added that it was important to note that they could not compel the owner to take this action.

In conclusion, the investigator said that it was reasonable for the council to make a compensation payment of £150 to Mr H to acknowledge that he had been caused some uncertainty. Officers sent a cheque for that amount to Mr H, but he returned it because he wanted the council to use the money to pay for a senior officer's time to negotiate a planting scheme with the owner; the strategic director advised Mr H that we could not do that. Officers sent the cheque to Mr H again on 20 February 2013, and he cashed it on 6 March 2013.

9. Ombudsman decision – discontinue investigation

Decision date – 20 September 2012

Ombudsman main subject area – benefits and tax

Complaint

That the council did not handle Mr I's liability for council tax correctly.

Background

Mr I disputed the council's assessment of his council tax in respect of a property he owns. He appealed to the Valuation Tribunal twice and the tribunal upheld the council's decisions.

Mr I said that the Valuation Tribunal had ruled the property was not his sole or main residence, which meant it qualified for a ten per cent discount. Officers awarded the discount from 5 October 2011, that being the date Mr I said he moved back into the property from a different property that he owns. Officers considered that date to be significant because if Mr I was living in the property (which officers did not accept) then it would be likely to be furnished, thus meeting the requirement for a ten per cent second property discount.

Ombudsman's conclusions

The ombudsman's investigator did not consider there was anything she could investigate. She said that the matter had, and could be in the future, been determined by the Valuation Tribunal; it was not a matter for the ombudsman. She said that, if Mr I wished to challenge the date from which the ten per cent property discount should be applied then he could take that to the Valuation Tribunal; it was for the Valuation Tribunal to decide if it wished to consider the matter.

The investigator said that Mr I had gone to the ombudsman because he considered the council was not competent to consider the issues. There had been lengthy and protracted exchanges of correspondence between the council and Mr I but the investigator said it was not for her to come to any view on Mr I's concerns. The substantive issue, and the only possible cause of significant

injustice to Mr I, were the decisions about his liability for council tax. There were no separate matters that the ombudsman should investigate and the investigator therefore closed the complaint.

10.Ombudsman decision – not in jurisdiction

Decision date – 18 June 2012

Ombudsman main subject area – corporate and other services

Complaint

That the council failed to properly investigate a complaint about an accident that took place in a local gymnasium.

Background

Mr J had an accident in a local gymnasium in February 2010 in which his leg was broken in two places. He claimed that the accident occurred due to a cable from a hairdryer on the floor. He reported the matter to the environmental health team but was concerned that the officer investigating his complaint did not contact the paramedic for corroborating evidence about the cause of the accident. Mr J said that, if the officer had done so, the paramedic would have been able to confirm that he saw a cable on the floor. He stated that, when he contacted officers again in 2012, they made contact with the paramedic but that he was unable to recall the incident or provide any clarification on whether the cable was trailing on the floor, as Mr J had alleged.

Ombudsman's conclusions

The ombudsman will not normally investigate a complaint about matters which occurred more than 12 months ago. In this case, the investigator was satisfied that this restriction applied to Mr J's complaint given that the events complained of occurred in February 2010. In addition, Mr J had confirmed that he was aware that officers did not intend to pursue the matter any further, and had not made contact with the paramedic, within a couple of months of that date. As Mr J did not contact the ombudsman within 12 months of that decision, the investigator saw no reason to pursue the complaint.

In reaching that view the investigator considered whether to exercise the ombudsman's discretion to investigate the complaint. However, given the passage of time, she did not consider that any investigation could produce any worthwhile outcome for Mr J. She reached that conclusion because officers were not able to verify the situation on the ground in February 2010 and had confirmed that the paramedic in question had been unable to recall the incident. As there was no reason why Mr J could not have contacted the ombudsman within 12 months, and given the difficulty of carrying out an investigation so far removed from the events complained of, the investigator did not exercise the ombudsman's discretion to investigate and closed the complaint.

Report to:

Cabinet

Council

Audit and Corporate Governance Committee

Report of: Head of Finance

Author: Emma Creed

Tel: 01491 823847

E-mail: emma.creed@southandvale.gov.uk

Cabinet Member responsible: David Dodds

Tel: 01844 297714

E-mail: david.dodds@southandvale.gov.uk

To: Audit and Corporate Governance Committee on: 26 September 2013
To: Cabinet on: 17 October 2013
To: Council on: 24 October 2013

Treasury management outturn 2012/13

That Audit and Corporate Governance Committee:

1. notes the treasury management outturn report 2012/13 and
2. is satisfied that the treasury activities are carried out in accordance with the treasury management strategy and policy.
3. make any comments and recommendations to cabinet as necessary.

That Cabinet:

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

1. Approve the treasury management outturn report for 2012/13;
2. Approve the actual 2012/13 prudential indicators within the report.

Purpose of report

1. The report fulfils the legislative requirements to ensure the adequate monitoring and reporting of the treasury management activities. This report is to advise Councillors of the performance of the treasury management function (the management of our investments) for the financial year 2012/13. 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

2. Effective treasury management is required in order to meet our strategic objective of managing our business effectively. Managing the finances of the authority in accordance with the treasury management strategy will help to ensure resources are available to deliver our services and meet the council's other strategic objectives.

Background

3. The council's 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 council at the end of the financial year. The report covers the treasury activity for 2012/13.

4. The 2012/13 treasury management strategy was approved by council on 22 February 2012. This report provides details on the treasury activity and performance for 2012/13 against prudential indicators and benchmarks set for the year. Full council is required to approve this report.

5. An update on the economic conditions is in Appendix 'A'.

Icelandic bank default – Kaupthing Singer & Friedlander

6. The Council invested £2.5 million in July 2007 with the failed Icelandic bank Kaupthing Singer and Friedlander Ltd (KSF). The Council has received £1,999,829 to date in respect of the claim for £2.6 million (£2.5 million investment plus interest).

7. 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 84p to 86.5p in the pound. In total terms this would mean receiving between £2,209,901 and £2,275,671.

Treasury activities in 2012/13

Council investments as at 31 March 2013

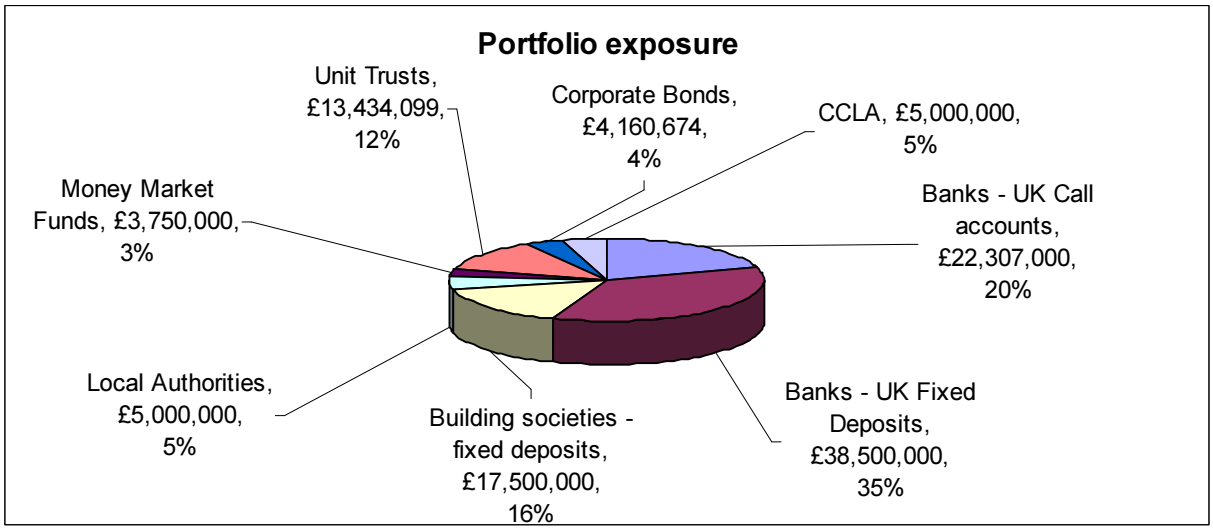
The Council continues to invest with regard for security, liquidity and yield, in that order.

The Council's investments, analysed by age as at the end of 2012/13, is shown in table 1 below.

Table 1: maturity structure of investments as at 31 March 2013:	**Total £000**	**% holding**
Cash deposits:		
Call account	22,307	20%
Up to 1 month	4,000	4%
2 month	5,500	5%
3 month	6,000	5%
4 month	5,000	5%
5-6 Month	9,000	8%
7-12 Month	26,500	24%
1 -2 Year	2,000	2%
2-5 Year	3,000	3%
Kaupthing Singer & Friedlander	500	0%
Total cash deposits	**83,807**	**76%**
CCLA - property fund	5,000	5%
Equities	13,434	12%
Corporate bonds	4,161	4%
Money market funds	3,750	3%
Overall total	**110,152**	**100%**

Note: £110.152 million does not represent uncommitted resource the council has at its disposal. This amount includes council tax receipts held prior to forwarding to Oxfordshire County Council and Thames Valley Police, business rate receipts prior to payment to the government and committed capital and revenue balances. Details of the council's uncommitted balances are provided in the annual budget and council tax setting report.

A significant proportion of the portfolio is held in the form of fixed interest rate cash deposits. These provide some certainty over the investment return. The chart below shows in percentage terms how the portfolio is spread across the investment types:



Investment income

8. The total interest earned on investments during 2012/13 was £2.6 million, compared to the original estimate of £2.5 million, as shown in table 2 below:

Table 2: Investment interest earned by investment type

Investment type	Interest earned Annual Budget £000	Actual £000	Variation £000
Call accounts	43	130	87
Cash deposits < 1yr	1,057	567	(490)
Cash deposits > 1yr	705	1,196	491
MMF	30	29	(1)
Corporate Bonds	411	253	(158)
Equities	250	431	181
Transferred debt	10	7	(3)
	2,506	2,614	108

9. The variation in investment earnings of £108,000 above the original estimate for 2012/13 is due to a number of reasons:

- Interest received on unit trusts was £181,000 higher than forecast due to the overall increase in the value during the year.

- Interest earned on corporate bonds was £158,000 lower due to maturities that were not reinvested in corporate bonds

- Interest earned on cash deposits was £85,000 higher than forecast due to longer dated investments combined with higher interest rates achieved.

10. The actual average interest rate of return achieved for the year was 2.18 per cent.

Movement in the value of investments

11. Table 3 below shows the movement in value of the Council's investments at the end of the year.

Table 3: Investment portfolio values and movements.	2011/12 £m's	2012/13 £m's	Movement in Investments
Cost Values (£m's)			
Bank & Building Society deposits	87.22	87.56	0.34
CCLA	0.00	5.00	5.00
Equities	13.43	13.43	0.00
Corporate Bonds	4.27	4.16	(0.11)
	104.92	110.15	5.23

The value of investment deposits fluctuates throughout the year due to cash flow and spending patterns.

Performance measurement

12. A list of investments as at 31 March 2013 is shown in appendix B. All investments were with approved counterparties. The average level of investments held was £117 million and the average return on these investments is shown below in table 4. This shows in summary the performance of the council's investments against the benchmarks set out in the Treasury Management Strategy. These benchmarks are used to assess and monitor the council's investment performance for each type of investment.

Table 4: Investment returns achieved against benchmark	Benchmark Return	Actual Return	Growth (Below)/above Benchmark	Benchmarks
Bank & Building Society deposits - internally managed	0.56%	1.86%	1.30%	3 Month LIBID
Equities	12.59%	11.68%	(0.91%)	FTSE All Shares Index
Corporate Bonds	0.50%	5.68%	5.18%	BoE base rate

Note: the benchmark return for unit trusts reflects the movement in capital value. All other benchmarks reflect earnings of investment income. The total actual return for the whole investment portfolio was 2.18 per cent.

13. Bank and building society deposits increased by £0.34 million during the year from £87.22 million as at 1 April 2012 to £87.56 million by 31 March 2013.

14. Returns on internally managed cash deposits are benchmarked against the three month LIBID rate, which was an average of 0.56 per cent for 2012/13. The performance for the year of 1.86 per cent exceeded the benchmark by 1.30 per cent.

15. In the first part of the financial year, it was difficult to place investments because of the continued financial uncertainty. Some good rates were achieved which contributed to the increase in investment income for the first half of the year. The government's Funding for Lending Scheme (FLS) was introduced in August 2012. As a result interest rates at which banks and building societies accepted deposits from local authorities dropped sharply. After this, investments were primarily held in call accounts which offered a better return than the market rates for deposits.

16. Local authority market rates for cash deposits have historically been around the same level as the three month LIBID rate. However, actual rates achieved are dictated by changeable factors, such as cash flow and the market demand for funds. For the purposes of providing comparative performance indicators, the market average rates of interest are shown in table 5.

Table 5: Cumulative performance against benchmark	**Cumulative % returns**
Actual	**2.18**
Benchmark - 3 Month LIBID	0.56
Variance - (Under)/Over benchmark	1.62
Industry average*	1.12
Variance - (Under)/Over industry benchmark	1.06

*Source: Sector - weighted average of 7 fund managers results covering 38 funds.

Equities

17. 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.

18. The unit trusts are accounted for in the Council's financial statements at fair value[1]. The market value in April 2012 of £13.43 million rose significantly

[1] Fair value: is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. In some cases this will be the amount paid for purchasing the investment. This may not always be the case, where there have been substantial transaction costs (as in an investment fund), or where interest payable does not reflect market rates or obligations (as in corporate bonds).

between July and November 2012, at which point the value exceeded the trigger point of £14m, when a disposal of £2m was made. Table 6 below shows the movement in capital value:

Table 6: Unit Trusts - Movement in capital	£	£
Market Value as at 31.3.13		13,434,099
Less:		
Dividends received in year	230,883	
Accrued dividends	199,911	
		(430,794)
Add:		
Disposal in year		2,000,000
Amended market value as at 31.3.13		15,003,305
Market value as at 1.4.12		13,434,631
Increase in Market Value in year		1,568,674

19. The value quoted in the statement of accounts includes adjustments for accrued interest. In order to assess the true unit trust performance an adjustment must be made to amend the market value[2]. Table 7 below shows the unit trust performance without the accounting adjustments required for the statement of accounts:

20. Unit trusts fluctuated quite a lot throughout the year, as volatility in the markets has driven investors to move to safer havens such as gilts.

Table 7: Unit Trust performance 1.4.12 - 31.3.13	
Increase in FTSE all share was	12.59%
Increase in Market Value	11.68%
Under-performance	(0.92%)
	£
Market Value 1.4.12	13,434,631
Plus 12.59% FTSE increase	1,691,420
Benchmark Market Value at 31.3.13	15,126,051
Market Value (amended at 31.3.13)	15,003,305
Under performance 1.4.12 to 31.3.13	**(122,746)**

[2] Market value: this is the price that would be paid on a specific date.

20. Dividends received of £0.4 million were reinvested to acquire additional fund units. The unit trusts are benchmarked against the FTSE All Shares Index, which represents 98-99 per cent of the UK market capitalisation. 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.

Corporate Bonds

21. The Council's corporate bonds are also accounted for in the financial statements at fair value. The opening carrying value[3] for 1 April 2012 was £4.1 million. The closing carrying value at 31 March 2013 was £4.1 million. The carrying values and market values for the corporate bonds are shown in table 8 below:

Table 8: Corporate bond values

Bonds	Original cost £000's	Nominal Value £000's	Carrying Value as at 1.4.12 £000's	Carrying Value as at 1.4.13 £000's	Market value at 1.4.13
Santander 11.50%	422	270	335	323	318
RBS 9.625%	1,973	1,500	1,621	1,631	1,713
Halifax 11.5%	2,942	2,000	2,178	2,114	2,130
	5,337	3,770	4,134	4,068	4,161

22. The weighted average return on the Council's corporate bonds for 2012/13 was 5.68 per cent, this significantly exceeded the benchmark return.

23. The corporate bonds mature on dates between 2014 and 2017. Annual interest earned will remain the same for the whole period a bond is held. Table 9 below shows the redemption yield of the bonds if held until the redemption date.

Table 9: corporate bond redemption yields if held to maturity

Bank	Interest rate %	Original cost £000	Nominal value £000	Interest to date £000	Interest due £000	Redemption value £000	Redemption date	Redemption yield
Santander	11.50%	422	270	310	117	270	04/01/2017	5.59%
RBS	9.63%	1,973	1,500	1,591	321	1,500	22/06/2015	6.20%
Halifax	11.50%	2,942	2,000	2,208	175	2,000	17/01/2014	5.25%

Money market funds (MMFs)

24. Money market funds are commercially run pooled investments. They work rather like unit trusts, but whereas the latter are based upon shares in companies, MMFs rely on loans to companies. As their pooled funds have a

[3] Carrying value: the accounting treatment of investments will depend on the financial asset category within which they are deemed to be. For some categories the amount carried in the balance sheet will be either written up or down over the term of the investment. This is done to reflect things such as transaction costs or deferred interest payments and is required to spread the effect equally over the life of the investment. The adjusted value is the carrying value.

high total value, better rates of return can be obtained. Legislation allows authorities to access only those MMFs with the highest possible credit rating (AAA).

25. Access and liquidity, together with high security, have meant these funds have been used throughout the year. The Council currently invests in three MMFs and the amount held in each at the 31 March 2013 is shown below:

Table 10: Money market funds	31/03/2013 £000
Deutsche Bank	1,000
Blackrock	2,030
Goldman Sachs	720
	3,750

Other investments

PENSION FUND CONTRIBUTIONS

26. The Council made two contributions of £5 million to the Oxfordshire County Council pension fund, one in April 2005, the other in April 2008. The Council made these payments to reduce the ongoing contributions to the fund. Based on historical performance statistics, the return earned by the pension fund has been better than that achieved by the Council. The pension fund is able to invest far larger amounts than we do and therefore can attract higher rates of return.

27. The value of the pension fund assets and liabilities is based on a series of actuarial assumptions. From 1 January 2013, the expected return and interest cost will be replaced with a single net interest cost, which will effectively set the expected rate of return equal to the pensions discount rate provided in the International Accounting Standard (IAS19). Based on the actuarial valuation as at the 31 March 2013, the long term rate of return per annum expected on the funds assets was 4.3 per cent (5.7 per cent as at 31 March 2012).

LAND AND PROPERY

28. The Council holds a portfolio of investment property which includes land, industrial estates, depots, garages and shops that are used on a commercial basis. These assets had a net book value of £15.9 million at 31 March 2013 (£16.3 million at 31 March 2012) and generated income (net of any direct service costs) of £1.0 million in 2012/13 (£0.9million in 2011/12).

29. The Economy, Leisure and Property (ELP) team manages investment property, ensuring that rent is collected and rent reviews are implemented. The performance of the investment property is assessed annually by ELP to determine if assets should be retained or disposed of and agree any actions to improve or enhance the value of the investment property holdings.

Treasury management limits on activity

30. The council is required by the Prudential Code to report on the limits set each year in the Treasury Management Strategy. 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 will impair the opportunities to reduce costs/improve performance. During the year none of these limits were exceeded. These limits are shown in appendix C.

LIQUIDITY AND YIELD

31. The benchmarks for liquidity are set to ensure that sufficient funds can be accessed at short notice. These are targets and not limits. The weighted average life (WAL) in days sets a benchmark for how long investments should be made and the maximum benchmark is a target set to ensure that investments are not made for too long. For example the amount to be maintained for liquidity was £10m and the actual of £26m was above the benchmark. The larger balance on call is due to the more attractive interest rates earned following the introduction of the FLS, which lowered market rates. The actual for the WAL of 278 days exceeded the benchmark of 182.5 days and did not exceed the maximum of 1095 days.

32. The year end position against the original benchmarks approved in February 2012 is shown below:

Table 11: Risk-liquidity against benchmark

	2012/13 Benchmark £m	2012/13 Actual £m
Bank overdraft	0.5	0
Short term deposits - minimum available within 1 week	10	26
	2012/13 Benchmark	**2012/13 Actual**
Weighted average life (days)	182.5	278.0
Weighted average life - maximum	1095.0	278.0

Debt activity during 2012/13

33. During 2012/13 there has been no need for the Council to borrow. The Council will continue to take a prudent approach to its debt strategy. The prudential indicators and limits set out in appendix C provide the scope and flexibility for the Council to borrow in the short-term up to the maximum limits, if such a need arose within the cash flow management activities of the authority, for the achievement of its service objectives.

Financial implications

34. A year ago, forecasts were that inflationary pressures would mean that interest rates would have to start rising towards the end of 2012. This has not happened

and the current outlook for growth in the UK economy means interest rates are very low and are likely to remain so. The investments made in 2012/13 ensured that the council earned interest of £2.6 million, however from 2013, income is anticipated to reduce until market rates rise. This will be reflected in the council's 2014/15 budget and its medium term financial plan.

Legal implications

35. There are no significant legal implications as a result of the recommendations in this report. Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services, the DCLG Local Government Investment Guidance provides assurance that the council's investments are, and will continue to be, within its legal powers.

Conclusion

36. As at 31 March 2013, the Council's financial investments had a cost value of approximately £110 million. As a result of proactive management of investments held, and despite a fall in interest rates, during 2012/13 investments generated £2.614 million in investment income, which was £108,000 above the £2.506 million original budgeted estimate.

37. The financial year 2012/13 provided volatile conditions with regard to treasury management. Concerns for counterparty risk continue to present the council with a difficult environment to invest in. The main implications of these factors were:

    - low investment returns and difficulty to forecast;
    - increased counterparty risk – reduced choice of counterparties
    - Interest rate exposure risk – due to investments held in short-term maturity periods.

38. Despite the continued uncertainty the overall investment performance was above the industry average for 2012/13. Investments were made in the year that provided a good return whilst maintaining security and liquidity.

Background papers

- Chartered Institute of Public Finance and Accounting (CIPFA) code of practice for treasury management in the public sector.
- CIPFA treasury management in the public services code of practice and cross sectoral guidance notes
- Treasury Management Strategy 2012/13 – Council 22 February 2012.

Appendices

A – Economic update and interest rates
B – List of investments as at 31 March 2013
C – Prudential indicators
D – Glossary of terms

Appendix A

Economic Update and interest rates as at August 2013

A1. Growth in the UK economy remains weak. National debt is expected to rise above 100 per cent of GDP by 2015-16 and this resulted in the UK losing its AAA rating.

A2. Household financial conditions remain subdued. Job fears, inflation eroding disposable incomes, small or no pay increases are all factors contributing to consumers' ability to spend and overall living standards have fallen in real terms due to the sharp price rises relative to wages. Average real wages have fallen every month since June 2008. The squeeze on households' income will remain a critical factor in the economy over the next few years. Inflation is the main cause and will continue to have the greatest impact on living standards as real income will continue to decline. The slow recovery has meant that social security payments remain high and tax income is low.

A3. The Euro region suffered a further period of stress with Spain forced to officially ask for a bailout of its domestic banks. However, the ECB declared it would do whatever it takes to stabilise the Eurozone.

A4. The government's Funding for Lending Scheme (FLS) has been introduced to improve access to mortgages at lower rates. This has affected lenders need to borrow and money market rates have fallen considerably as a result. There will be a need to increase interest rates and reverse the government bond purchases at some stage, but it is unlikely to happen in the next 12 to 24 months.

A5. Investor demand in UK gilts as a 'safe haven' continues to keep yield increases down. Long term rates will eventually rise, mainly due to the fact that high volumes of gilts have been issued already in the UK and also in other major western countries.

A6. The interest rate forecast is based on the assumption that growth starts to recover in the next three years. If the EZ crisis worsens or low growth in the UK continues the base rate is likely to remain low for longer than this forecast.

A7. Concerns over investment counterparty risk remain because of the volatile economic conditions. However the council's current treasury management policy manages this risk down to a low level.

Interest rates

A8. The Bank of England changed its forecast significantly in the August Inflation report and upgraded its growth predictions to 1.4% in 2013 and 2.5% in 2014.

A9. Bank rate remained unchanged at 0.5% throughout the first half of 2012/13. The earlier forecast of a rate rise in Q4 of 2014 has been postponed until Q4 in 2016.

A10. Investment rates have remained flat with a range between 0.5 per cent to around 1.0 per cent for up to a year's maturity. This has dropped significantly

as banks and building societies were offered further cheap cash supply via the FLS. The short term rates from one month to six months offer very little differential with six month rates ranging between 0.37 per cent and 0.55 per cent.

A11. Sector's forecast of the expected movement in medium term interest rates:

	NOW	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
BANK RATE	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3 month LIBID	0.39	0.40	0.40	0.40	0.40	0.40	0.40	0.40
6 month LIBID	0.47	0.50	0.50	0.50	0.50	0.50	0.50	0.50
12 month LIBID	0.74	0.80	0.80	0.80	0.80	0.80	0.80	0.80
5 yr PWLB	2.20	2.20	2.20	2.20	2.20	2.20	2.30	2.40
10 yr PWLB	3.40	3.30	3.30	3.30	3.30	3.30	3.40	3.50
25 yr PWLB	4.30	4.20	4.20	4.30	4.30	4.40	4.50	4.60
50 yr PWLB	4.30	4.30	4.30	4.40	4.40	4.50	4.60	4.70
	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
BANK RATE	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00
3 month LIBID	0.40	0.40	0.40	0.40	0.50	0.60	0.80	1.00
6 month LIBID	0.50	0.50	0.50	0.60	0.70	0.90	1.10	1.30
12 month LIBID	0.80	0.90	1.00	1.20	1.40	1.60	1.80	2.00
5 yr PWLB	2.50	2.60	2.80	2.90	3.00	3.20	3.30	3.40
10 yr PWLB	3.60	3.80	3.90	4.10	4.20	4.30	4.40	4.50
25 yr PWLB	4.70	4.80	4.90	5.00	5.00	5.10	5.10	5.20
50 yr PWLB	4.80	4.90	5.00	5.10	5.10	5.20	5.20	5.30

Appendix B

Investments as at 31 March 2013

Counterparty	Deposit type	Principal	Rate
Royal Bank of Scotland	Fixed	5,000,000	2.82%
Brentwood Borough Council	Fixed	2,000,000	2.16%
Lloyds TSB	Fixed	5,000,000	2.80%
Lloyds TSB	Fixed	5,000,000	2.80%
Barclays Bank plc	Fixed	2,000,000	2.60%
Bank of Scotland	Fixed	3,000,000	2.80%
Barclays Bank plc	Fixed	3,000,000	2.75%
Kingston upon Hull City Council	Fixed	1,000,000	1.90%
Royal Bank of Scotland	Fixed	1,500,000	3.25%
Royal Bank of Scotland	Fixed	1,500,000	3.10%
Barclays Bank plc	Fixed	2,000,000	3.75%
Barclays Bank plc	Fixed	1,500,000	2.60%
HSBC	Fixed	2,000,000	1.90%
Doncaster MBC	Fixed	2,000,000	1.05%
Bank of Scotland	Fixed	1,000,000	2.55%
National Counties Building Society	Fixed	1,500,000	1.80%
Nottingham Building Society	Fixed	2,000,000	1.75%
Saffron Building Society	Fixed	2,000,000	1.65%
Lloyds TSB	Fixed	4,000,000	2.85%
National Counties Building Society	Fixed	1,000,000	1.40%
Newcastle Building Society	Fixed	4,000,000	1.58%
West Bromwich Building Society	Fixed	1,000,000	1.30%
Royal Bank of Scotland	Fixed	2,000,000	1.55%
Manchester Building Society	Fixed	1,000,000	0.85%
West Bromwich Building Society	Fixed	3,000,000	1.05%
West Bromwich Building Society	Fixed	2,000,000	0.95%
Santander	Call	12,280,000	0.90%
Alliance & Leicester 30 Day Notice A/c	Call	1,139	0.90%
Royal Bank of Scotland	Call	2,298	0.85%
Royal Bank of Scotland	Call	10,024,724	1.05%
Goldman Sachs	MMF	720,000	Variable
Deutsche Bank	MMF	1,000,000	Variable
Blackrock	MMF	2,030,000	Variable
L&G Equities	Unit trust	13,434,099	Variable
Royal Bank of Scotland	Corporate bond	1,712,625	9.63%
Halifax	Corporate bond	2,129,800	11.00%
Santander	Corporate bond	318,249	11.50%
CCLA - property fund	Property fund	5,000,000	
KSF	Icelandic investment	500,171	
GRAND TOTAL		**110,153,104**	

Appendix C

Prudential indicators as at 31 March 2013		
	2012/13 Original estimate £m	31.03.2013 Position £m
Authorised limit for external debt		
Borrowing	5	0
Other long term liabilities	5	0
	10	**0**
Operational boundary for external debt		
Borrowing	2	0
Other long term liabilities	3	0
	5	**0**
Investments		
Interest rate exposures		
Limits on fixed interest rates	84	100
Limits on variable interest rates	26	30
Maximum principal sums invested > 364 days		
Upper limit for principal sums invested > 364 days	5	70
Limit to be placed on investments to maturity		
1 - 2 years	2	70
2 - 5 years	3	50
5 years +	0	50
Investment portfolio spread		
Supranational bonds	15	0
Gilts	15	0
Equities*	10	13
Corporate bonds	10	4
Money market funds	20	4
Pooled bond fund	5	0
Property - direct investments	30	16
Property related pooled funds	10	5
External fund manager	20	0
Cash and certificates of deposit	85%	76%
Debt management account deposit facility	100%	0%

*Limit at time of purchase - Equities include accumulated dividends

Appendix D

GLOSSARY OF TERMS

Basis Point (BP)	1/100th of 1%, i.e. 0.01%
Base Rate	Minimum lending rate of a bank or financial institution in the UK.
Benchmark	A measure against which the investment policy or performance of a fund manager can be compared.
Bill of Exchange	A financial instrument financing trade.
Callable Deposit	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.
Cash Fund Management	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.
Certificate of Deposit (CD)	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.
Commercial Paper	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.
Corporate Bond	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.
Counterparty	Another (or the other) party to an agreement or other market contract (e.g. lender/borrower/writer of a swap/etc.)
CDS	Credit Default Swap – a swap designed to transfer the credit exposure of fixed income products between parties. The buyer of a credit swap receives credit

Appendix D

	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.
CFR	Capital Financing Requirement.
CIPFA	Chartered Institute of Public Finance and Accountancy.
CLG	Department for Communities and Local Government.
Derivative	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.
DMADF	Deposit Account offered by the Debt Management Office, guaranteed by the UK government.
ECB	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.
Equity	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 gain.
Forward Deal	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.
Forward Deposits	Same as forward dealing (above).
Fiscal Policy	The government policy on taxation and welfare payments.
GDP	Gross Domestic Product.
Gilt	Registered british government securities giving the investor an absolute commitment from the government to honour the debt that those securities represent.
LIBID	London inter-bank bid rate
LIBOR	London inter-bank offered rate
Money Market	A well rated, highly diversified pooled investment vehicle

Appendix D

Fund	whose assets mainly comprise of short-term instruments. It is very similar to a unit trust, however in a MMF.
Monetary Policy Committee (MPC)	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 2.5% 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.
Other Bond Funds	Pooled funds investing in a wide range of bonds.
PWLB	Public Works Loan Board.
QE	Quantitative Easing.
Retail Price Index	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.
Sovereign Issues (Ex UK Gilts)	Bonds issued or guaranteed by nation states, but excluding UK government bonds.
Supranational Bonds	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.
Treasury Bill	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.

This page is intentionally left blank

South Oxfordshire District Council

Listening Learning Leading

Annual Governance Statement 2012/13

CONTENTS

1.0 Scope of responsibility 2
2.0 The purpose of the governance framework 3
3.0 The governance framework 3
The strategic planning framework 4
Performance management framework 6
Legal framework 6
Financial framework 7
Risk management framework 7
4.0 Review of effectiveness of the governance framework 8
Review of objectives 8
Performance management and service planning 9
Legal framework 10
Financial framework 11
Councillors' and senior officers' development 15
Internal audit and the internal audit manager 16
Risk management 16
Anti-fraud, bribery, money laundering and whistleblowing 17
Business continuity 18
Audit and Corporate Governance Committee 18
The Scrutiny Committee 18
councillors' code of conduct 18
External sources of assurance on the governance framework 19
Significant governance issues 20

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

5. This statement explains how South Oxfordshire District Council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011 in relation to an annual review of the effectiveness of the council's systems and the preparation and approval of an annual governance statement.

6. Our website at www.southoxon.gov.uk has a copy of the local code of corporate governance within its Constitution or it can be obtained from:

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

2.0 The purpose of the governance framework

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

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 policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

9. The council has had the governance framework described below in place for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

3.0 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 key strategies including the community strategy and agreeing the budget.

11. South Oxfordshire District Council has executive arrangements in place consisting of a cabinet and a scrutiny committee. Cabinet is responsible for proposing the policy framework and key strategies, proposing the budget and implementing the policy framework and key strategies. The scrutiny function allows a committee to question and challenge the policy and performance of the executive and promote public debate.

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

13. Our governance framework for 2012/13 was based on our local code of governance, which was adopted in 2008. Within the framework we aim to meet the principles of good governance in all aspects of the council's work giving particular attention to the main principles, which are:

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

THE STRATEGIC PLANNING FRAMEWORK

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

15. Our strategic aim is set out in our vision, which is "shaping a prosperous future for South Oxfordshire". Our 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. Some of the key formal partnerships include:

- the South Oxfordshire Partnership (SOP) – this is the local strategic partnership (LSP) and is made up of relevant councils and a number of other public, private and voluntary sector organisations. SOP is responsible for developing a sustainable community strategy for the district. The council is also a member of the Oxfordshire Partnership, which is the LSP for the county of Oxfordshire
- the South and Vale Community Safety Partnership (CSP), which has a similar range of partners to the LSP and focuses on joint working to reduce crime and the fear of crime and address 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 the local enterprise partnership (LEP) for Oxfordshire. This is a voluntary body made up of representatives from business, academia and the wider public sector. The partnership's overarching aim is to be the catalyst for realising Oxfordshire's economic and commercial potential. The Oxfordshire LEP is responsible for delivering the Science Vale UK enterprise zone.
- Oxfordshire Waste Partnership – this is a partnership of the county and district councils of Oxfordshire who are working together to continuously improve waste management services within the county.

16. Our other key strategies include:

- The sustainable community strategy (SCS) is a partnership strategy developed by SOP (see above) and sets out the contribution that the council and its partners can make to delivering an overarching and long term vision for the district. The SCS vision is for South Oxfordshire to be an ''attractive, successful, vibrant and safe place where people choose to live, work and visit.''
- The South Oxfordshire Core Strategy was adopted by the council in December 2012 and is the first part of a new Local Plan for the district. It provides the strategic framework for planning in South Oxfordshire and sets out our high level vision for the district to 2027. The core strategy sets out the overall amount of new development in the district and the broad locations for housing, employment, shopping and transport. It also allocates strategic sites and sets out what infrastructure is needed. The core strategy has replaced some of the Local Plan 2011, but a number of non strategic policies still remain in place. The Local Plan 2011 will eventually be replaced by the next planning document, to be known as the Local Plan: Sites and General Policies. This will allocate smaller sites in the towns and larger villages and will update the day to day policies. Work has commenced on this plan and we will work closely with local communities throughout the process. Several neighbourhood plans are also being produced by local communities in South Oxfordshire and when these are successfully completed, they will also form part of the development plan.
- The council has set equality objectives in line with the requirements of the Equality Act 2010 and to support the delivery of the councils' Corporate Plan Priorities.
- Partnership working is the key theme behind South Oxfordshire District Council's plans to boost its three market towns of Henley, Thame and Wallingford. The South Oxfordshire market towns action plans brings together new ideas alongside ongoing projects, as the council continues to work with the Henley Partnership, 21st Century Thame and the Wallingford Partnership, as well as the three respective town councils and various local groups, to help strengthen the local economy and bring more people to the towns. The action plan is designed to support the council's objectives of building the local economy, continuing to invest to improve the viability and attractiveness of our towns, and supporting business growth.

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

    - Excellent delivery of key services
    - Effective management of resources
    - Meeting housing need
    - Building the local economy
    - Support for communities

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

PERFORMANCE MANAGEMENT FRAMEWORK

19. In order to know that we are achieving the strategic objectives and corporate priorities in the Corporate Plan, we set local performance targets. To ensure we meet these targets and objectives, we have one-year service plans, workplans and service targets, thus ensuring that a *golden thread* aligns the council's top-level objectives to the work of each individual. Separately, we report performance to Government in accordance with the single data list.

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

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

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

LEGAL FRAMEWORK

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

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 if any decision or omission has given rise to maladministration.

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

26. All councillors and co-opted members of local authority committees are required to comply with a code of conduct. The code of conduct sets out the framework within which they must operate. The Constitution incorporates the Oxfordshire code of conduct, which became effective from 1 July 2012.

FINANCIAL FRAMEWORK

27. 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.

28. The full council is responsible for approving the following:

- MEDIUM TERM FINANCIAL STRATEGY

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

- TREASURY MANAGEMENT STRATEGY

30. 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.

- REVENUE AND CAPITAL BUDGET SETTING

31. 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.

32. 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.

33. 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.

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

RISK MANAGEMENT FRAMEWORK

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

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

37. The strategic management board is responsible for the identification, analysis and management of strategic risks and undertakes regular reviews of those risks.

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

39. 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.

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

4.0 Review of effectiveness of the governance framework

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

REVIEW OF OBJECTIVES

42. Within this document, the section entitled *the strategic planning framework* sets out the council's current strategic objectives as a result of a major review of the Corporate Plan in 2011/12. The plan aims to ensure that the council is doing the right things in the right way and for the right people. In doing this, the council asked customers to set out their priorities for improvement. Each year the council reviews the Corporate Plan to ensure that it remains current in the years leading up to the four-yearly redrafting of the plan.

43. On 19 February 2013, the scrutiny committee undertook a final review of performance on the Corporate Plan 2008-2012. Within 2008-2012 Corporate Plan our strategic objectives were *managing our business effectively*; *protecting our environment*; *delivering homes for all*; *supporting economic growth*; *transforming Didcot*; *helping people feel safe and secure*; *improving opportunities*, *activities and support for young people* and *strengthening local communities*. The summary of performance provided to the scrutiny committee highlighted: the savings and

efficiencies resulting from joint working with Vale of White Horse District Council; the excellent performance as the best council in the country with 68 per cent of household waste subject to recycling or composting; the success at being only the second in the country to obtain Enterprise Zone status for development sites; inward investment to fund growth at Didcot; reductions in reported criminal damage; and the extent of funding provided to communities and local groups.

44. The council's current Corporate Plan is subject to review in the early autumn.

PERFORMANCE MANAGEMENT AND SERVICE PLANNING

45. In recent years, we have looked to improve the consistency of performance management throughout the council. To do this, we published a performance management handbook, and promoted its uptake via an interactive intranet site. The handbook highlights the links between related functions such as corporate planning, service planning, reporting, risk management, budget planning and individual performance review. The handbook also lists the key responsibilities of specific roles. It reflects the management structure and the harmonised processes between this council and Vale of White Horse District Council.

46. The performance management handbook contains a data security policy. We implement this policy by assigning data owners to every Local Performance Target (LPT). In addition, the handbook details the data returns on the Government's single data list which are relevant to the councils. For each data return we have documented:
    - the service area(s) which collect the data;
    - the officer responsible for submitting the data.

47. We have introduced a monthly board report, which contains a smaller set of key performance indicators, selected by the strategic management board, and cabinet illustrating:

    - current performance;
    - last year's performance for comparison;
    - year-end target;
    - latest year-end prediction by officers;
    - for adverse performance: a narrative supplied by the responsible officer.

48. A recent analysis of the board report, prepared as part of a report for the Local Government Association, showed that the council is meeting the majority of key performance measures. In addition, the analysis suggested a long-term, on-going trend of improvement.

49. The board report is subject to a rigorous approval process, whereby it is checked firstly by heads of service as data owners, then, finally, by the strategic management board and cabinet members. We then publish the report to the website and notify all councillors. Councillors may then request the addition of any aspects of poor performance to the agenda of the next scrutiny committee meeting. On a quarterly basis, councillors at cabinet briefing discuss the report.

50. The report is constantly evolving to reflect management requirements, automating many of the graphs, so that they take data directly from the underlying systems.

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

52. South Oxfordshire District Council has made significant progress over the past years and has implemented a performance management system based on clearly defined output deliverables and priorities.

53. We continue to operate a strong approach to service planning. Following the management restructure with Vale of White Horse District Council, we implemented a combined approach to service planning from 2010/11. During 2013 we further trained all managers on strategic objective-setting and briefed all staff on it.

54. There are 'programmes' for cross-cutting themes such as equality and sustainability. This enables the programme managers to oversee actions owned by others and thus maximise the chances of the programme meeting its targets.

55. We now use performance points. A performance point is generally a board, displayed in a team's service area, showing how the team is performing against key performance targets (some are electronic and display 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; and
    - can be used as a tool to review performance with politicians and strategic directors.

56. We have been developing a new, streamlined, service planning process, which will be used in the future. This will establish a direct link between the four-year corporate plan and each team's performance point.

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

LEGAL FRAMEWORK

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

59. 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. This legislation therefore allows sharing of officers between the two councils. Council authorised the head of legal and democratic services to enter into an agreement under section 113 of the Local Government Act 1972 for this joint arrangement. The section 113 agreement was completed on 26 September 2008 and updated on 18 February 2011.

60. The Constitution was reviewed during the year to ensure it is up to date. In order to enhance the efficiency of decision-making within the budget and policy framework agreed by full council, more decision-making has been delegated to Cabinet members and officers.

61. Council agreed to adopt the strong leader model of governance, which the council implemented in May 2011 with an updated scheme of delegation.

62. A harmonised scheme of delegation to officers and harmonised contract procedure rules operate to meet the requirements of joint working with Vale of White Horse District Council.

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

64. Lexcel is the accreditation quality mark which the Law Society has developed and which is only awarded to legal practices that undergo rigorous independent assessment each year to ensure they meet the required standards of excellence in areas such as customer care, case management and risk management. Having undergone assessment in July 2012, the legal team achieved its first Lexcel accreditation under the joint arrangements.

Action(s):
- 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.

FINANCIAL FRAMEWORK

FINANCIAL REPORTING

65. For 2012/13 we produced budget monitoring information for both revenue and capital income and expenditure every month from June onwards during the financial year. We distributed budget monitoring reports from the financial management system, which are profiled, to heads of service and managers every month, within a week of the end of the period. This allowed accountancy to ensure that the information is as up to date as possible, for example by ensuring that all cash received up to the end of the previous period is reflected in the figures.

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

67. We collate the heads of services' returns into a budget monitoring report which is considered by cabinet briefing. These reports highlight the key variances being reported by each service, allowing management and cabinet to focus on them.

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

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

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

71. In September 2012 the audit and corporate governance committee approved the council's financial statements for 2011/12, and an unqualified audit opinion was received by September 2012, within the statutory deadline.

72. Officers keep up to date with the latest developments in accounting, which enable them to be prepared for the changes in accounting practice that affect the preparation and presentation of the financial statements. The council subscribes to the CIPFA finance advisory network (FAN) and accountants regularly attend FAN events, which enable them to be prepared for changes to the accounts. Accountants that attend training courses report back to the rest of the accountancy team on the content of the course.

73. Each year's accounts and annual audit letter are available to the public and are published on the council's web site.

BUDGET MONITORING

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

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

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

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

MEDIUM TERM FINANCIAL STRATEGY AND MEDIUM TERM FINANCIAL PLAN

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

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

80. By using the MTFP to estimate future council income and expenditure the council was able to reduce council tax for 2013/14 by 2.5 per cent. 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.

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

82. The council communicates key messages from its financial planning process to staff and stakeholders. New staff undertake an induction process that includes an introduction to local government finance module. This makes staff aware of how the council's budgets are constructed and of the financial pressures the council faces. During the budget setting we hold a series of presentations for staff to explain the budget process and the pressures the council faces as part of the budget setting process. We also seek the views of stakeholders during the budget process.

TREASURY MANAGEMENT STRATEGY

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

84. The council enjoys a healthy financial position. We have significant reserves that generate interest income, which we use to support both the revenue budget and the capital programme. The council takes a prudent approach to its use of investment interest, by using it in the year after it is earned. This means that we will use the interest earned during the 2012/13 financial year to support the 2013/14 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 times do not impact on in-year service delivery.

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

COMMENT ON THE ROLE OF THE CHIEF FINANCIAL OFFICER

86. 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*.

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

COUNCILLORS' AND SENIOR OFFICERS' DEVELOPMENT

88. We offer councillors a comprehensive induction programme. As a result of the May 2011 elections the council had 17 new councillors. At the induction session, councillors met the service teams and also indicated their training needs. Training sessions on planning and licensing have been held with needs assessment taking place in order to provide further relevant training. We deliver needs-based training.

89. Senior officers take part in induction sessions with all staff, along with the Leader of the Council. The development opportunities for senior officers include support towards a nationally recognised qualification e.g. MBA. They can attend programmes such as *aiming to be a corporate director*. Attendees evaluate these programmes, provide feedback at the end of each session and line managers review training during the appraisal and formal one to one process.

90. The corporate management team has attended a leadership development programme, consisting of several workshops covering the principles of high performing teams and elements of the Mastering Management programme that had previously been delivered to service managers. This was to further improve the relationships and quality of conversations between senior managers, to ensure that they provided clear and consistent leadership for the two organisations and understood the principles of what was covered in the Mastering Management programme.

91. We launched a management development programme (Mastering Management) for the newly appointed shared service managers in 2010/11, which continued into 2011/12. During 2012 – 2013, the same programme was implemented for team leaders and supervisors. It included a module on *leading impact and influence* that covered skills to influence others, work collaboratively and to have challenging and difficult conversations. Another module was on *leading performance* that covered skills to raise performance through coaching within their teams.

92. As part of the programme, the team leaders attended *action learning sets* where they discussed individual challenges and received ideas on how to handle these situations from their colleagues. In addition, some team leaders are being mentored by a service manager. All these programmes ensure consistency of management practices across all levels of managers.

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

94. The councils will offer senior managers, service managers and team leaders / supervisors further opportunities to consolidate their management development through refresher and follow-up sessions. The councils offered an element of the mastering management programme (an introduction to Transactional Analysis) to all

employees, to provide them with the opportunity to benefit from an understanding of how to apply this technique for interpersonal relationships. This will continue to be offered to all employees.

Action: To continue to develop councillors' roles through a councillor development programme.

INTERNAL AUDIT AND THE INTERNAL AUDIT MANAGER

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

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

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

98. Internal audit is committed to providing anti fraud and corruption training, however this has been postponed due to the audit manager being on maternity leave. During 2012/13, the internal audit team have undertaken proactive anti fraud compliance testing to evaluate whether the control environment is sufficiently robust and to highlight areas of concern with regards to fraud and corruption issues. Internal audit also reviewed the risk management arrangements, and have identified minor areas for improvement.

99. Internal audit offers assurance that it has complied with the CIPFA Code and a formal quality assurance programme continues to be in place. Internal audit has completed a self-assessment against the code to identify areas for further improvement and no actions were identified.

Action: The councils will assess the need for anti fraud and corruption training for councillors and officers in 2014/15.

RISK MANAGEMENT

100. We harmonised our risk management approach with Vale of White Horse District Council and the harmonisation process allowed us to enhance our approach to risk management by incorporating recommendations made by internal audit and considering the comments made by the Audit Commission during their use of resources review.

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

102. We have a strategic risk register, owned by the strategic management board, that requires the strategic management board to review the strategic risk register. We assigned responsibility for implementing the required mitigating actions to either one of the strategic directors or the chief executive. We presented an annual update report to audit and corporate governance committee on 30 January 2013.

103. We provided refresher training to members of the audit and corporate governance committee on 20 March 2012 and risk management is included in the induction package given to new employees. Guidance documents and procedures are available to all staff via a designated risk management area on the council's intranet. The council has designated risk champions who receive training as required and the corporate risk officer supports the champions in their duties.

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

105. 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.

ANTI-FRAUD, BRIBERY, MONEY LAUNDERING AND WHISTLEBLOWING

106. Internal audit's rolling audit plan includes areas such as gifts and hospitality and the register of interests. A pro-active anti-fraud review is completed each year, and testing will identify if existing management controls are sufficient. The council raised the profile of the anti-fraud, 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.

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

108. The internal control arrangements in place include the Constitution, the provision of an internal audit service, the presence of an active audit and corporate governance committee, transparent governance reporting through an assurance framework and compliance with relevant laws and regulations.

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

Actions:
During 2013/14 we will undertake the scheduled review of the anti-fraud, bribery and corruption policy and the whistleblowing policy.

BUSINESS CONTINUITY

110. We have a joint business continuity strategy with Vale of White Horse District Council and we have business continuity plans supported by the disaster recovery plan and a joint crisis management plan. Each service has a plan administrator who reviews the business continuity plans every quarter and we update the crisis management plan when required. We now have a joint disaster recovery site with Vale of White Horse District Council. As part of the procurement process, contract specifications include a requirement for potential suppliers to provide the council with details of their business continuity arrangements.

111. We presented an annual update report to audit and corporate governance committee on 30 January 2012 and a simulated business continuity exercise took place on 2 May 2012.

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

112. Our audit and corporate governance committee undertakes the core functions of an audit committee as set out in CIPFA's Audit Committees – Practical Guidance for Local Authorities (2005). Where required we offer training to committee members.

113. In May 2012 the full council agreed that the committee should take on aspects of the role of the former standards committee in dealing with code of conduct complaints against councillors. The committee agreed procedures for dealing with code of conduct complaints at its meeting on 10 July 2012.

THE SCRUTINY COMMITTEE

114. This scrutiny committee continues to help develop council policy and reviews performance in meeting council objectives.

COUNCILLORS' CODE OF CONDUCT

115. Until 30 June 2012 councillors continued to operate under a code of conduct adopted in 2007. As a result of revised legislation new code of conduct came into effect from 1 July 2012. In order to comply with the new legislation full council agreed the appointment of two independent persons in July.

116. In May 2012 full council decided that it would not have a standards committee but that the audit and corporate governance committee would assume responsibility for dealing with code of conduct complaints.

117. As the need arises, officers have delivered briefings and advice on the code to district and parish and town councillors as well as parish and town clerks. Councillors received briefings on the implications of the revised code of conduct in the autumn.

118. Until 30 June the standards committee continued to carry out the local assessment of code of conduct complaints. From 1 July the monitoring officer has decided what action to take on complaints in consultation with the independent persons. The monitoring officer did not refer any complaints to the audit and corporate governance committee and has not sent any complaints for investigation.

Action:
During 2013/14 we will continue to seek good practice emerging from the new standards of conduct framework.

EXTERNAL SOURCES OF ASSURANCE ON THE GOVERNANCE FRAMEWORK

119. Issues raised by our external auditor, Ernst & Young[1], and other external inspectors are used to identify improvement areas in our governance arrangements.

120. This was the third year the council had prepared its accounts under International Financial Reporting Standards (IFRS)) and the Audit Commission issued an unqualified opinion on the financial statements in September 2012.

- CERTIFICATION OF ANNUAL CLAIMS

121. Of the three claims certified by the Audit Commission/Ernst & Young, the Audit and Corporate Governance Committee noted in January 2013 that the housing benefit subsidy claim was qualified and that officers and Capita would investigate ways to minimise errors.

- LOCAL GOVERNMENT OMBUDSMAN

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

123. At its meeting in September 2012, the audit and corporate governance committee considered the Ombudsman's letter for the period 1 April 2011 to 31 March 2012. During 2011/12 the LGO determined ten complaints, compared to seven the previous year, which is line with our average over the last ten years. This compares favourably with the other Oxfordshire districts which had an average of 13.25.

[1] Prior to November 2012 the Audit Commission was the external auditor.

124. We responded to investigations within an average of 25.7 days, compared to 26.5 days last year, which is below the target of 28 calendar days set by the LGO.

125. The committee will consider a further update in September 2013.

Significant governance issues

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

Signature Date
David Buckle, Chief Executive

Signature Date
Ann Ducker, Leader of the Council

Audit and Corporate Governance Committee

Report of Interim Audit Manager

Author: Craig Pullen

Telephone: 01491 823544 (SODC); 01235 547615 (VWHDC)

Textphone: 18001 01491 823326 (SODC); 18001 01235 540455 (VWHDC)

E-mail: craig.pullen@southandvale.gov.uk

Cabinet member responsible: Councillor David Dodds

Tel: 01844 216794

E-mail: david.dodds@southoxon.gov.uk

To: Audit and Corporate Governance Committee

DATE: 26 September 2013

Internal audit management report quarter two 2013/2014

Recommendation(s)

(a) That members note the content of the report

Purpose of report

1. The purpose of this report is:

   - to report on management issues within internal audit;
   - to summarise the progress against the 2013/2014 audit plan up to 5 September 2013; and
   - to summarise the priorities for quarter three 2013/2014.

2. The contact officer for this report is Craig Pullen, Interim Audit Manager for South Oxfordshire District Council and Vale of White Horse District Council, telephone (SODC) 01491 823544 and (VWHDC) 01235 547615.

Strategic objectives

3. Managing our business effectively.

Background

4. The CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 states that the head of internal audit should prepare a risk-based audit plan, which should outline the assignments to be carried out and the broad resources required to deliver the plan.

5. The CIPFA Code also states that the audit committee should approve the annual internal audit plan and monitor progress against the plan. This Committee approved the annual internal audit plan on 20 March 2013.

Management issues

6. Following the meeting of the Finance Strategy & Management Committee of Henley Town Council in July, internal audit have been appointed as the Town Councils' internal auditors, initially for one year with an option to extend this by a further three years.

7. One of our auditors, Sheeraz Khan, has tendered his resignation and will leave his position on 29th September 2013. Options for a replacement are currently being considered.

Progress against the 2013/2014 audit plan

8. Progress against the approved audit plan has been calculated for the quarter and year to date and is summarised in **appendix 1** attached.

9. Performance figures are as follows:

	Target	YTD	Q1 13/14	Q2 13/14	Q3 13/14	Q4 13/14
Chargeable (identifiable client and/or specific IA deliverable)	73%	72.0%	72.5%	70.5%	-	-
Non-Chargeable (corporate, not IA deliverable)	8%	6.5%	8.0%	3.5%	-	-
Lost (i.e. leave, study, sickness)	19%	22.0%	19.5%	25.5%	-	-

10. As at 5 September 2013 the status of audit work against the 2013/2014 audit plan is as follows:

<u>Planned</u>

Strategic, operational and financial assurance work known and approved by the Audit and Governance Committee.

2013/2014	Planned	Complete	Draft	In progress	To commence
PLANNED	**30**	**7**	**2**	**5**	**16**
Joint	27	6	2	5	14
SODC	2	1	0	0	1
VWHDC	1	0	0	0	1

Adhoc

Unplanned project work based on agreed terms of reference with the audit manager (i.e. implementation of new systems) and responsive work issued and agreed by the section 151 officer, members or senior management team (i.e. investigations).

2013/2014	Requested	Complete	Draft	In progress	To commence
ADHOC	**1**	**0**	**0**	**1**	**0**
Joint	0	0	0	0	0
SODC	0	0	0	0	0
VWHDC	1	0	0	1	0

Follow up

Work undertaken to ensure that agreed recommendations have been implemented. The number of follow-up audits is a rolling number, all internal audit reports are followed up after six months.

2013/2014	Requested	Complete	Draft	In progress	To commence
FOLLOW-UP	**34**	**15**	**0**	**0**	**19**
SODC	18	8	0	0	10
VWHDC	16	7	0	0	9

Priorities for 2013/2014 quarter three (October 2013 – December 2013)

11. The priority for quarter three is to:

- successfully recruit a new auditor
- maintain progress against audit plan

12. Remaining 2013/2014 planned audit work can be reviewed in **appendix 2**.

Financial implications

13. There are no financial implications attached to this report.

Legal implications

14. None.

Risk implications

15. Identification of risk is an integral part of all audits.

CRAIG PULLEN
INTERIM AUDIT MANAGER

PLANNED AUDIT 2013/2014

APPENDIX 1

System Name As at 2 September 2013	Status	Audit Allocation	Total Days Used	Exception Issues	Audit Opinion	No. of Recs	High	No. Agreed	Medium	No. Agreed	Low	No. Agreed	Total Not Agreed
JOINT													
Payroll (23 priority score)	**In progress**	32											
SODC			7.5										
VWHDC			7.5										
Disaster Recovery (21)	**In progress**	10											
SODC			5.0										
VWHDC			5.0										
Section 106 Commuted Sum/CIL (21)	To commence Q4	20											
SODC			0.0										
VWHDC			0.0										
Housing & Council Tax Reduction Scheme (20)	To commence Q3	30											
SODC			0.0										
VWHDC			0.0										
National Non-Domestic Rate (20)	**In progress**	24											
SODC			4.5										
VWHDC			4.5										
Council Tax (19)	To commence Q3	24											
SODC			0.0										
VWHDC			0.0										
Creditor Payments (19)	**In progress**	20											
SODC			3.0										
VWHDC			3.0										
General Ledger (19)	To commence Q3	20											
SODC			0.0										
VWHDC			0.0										
Sundry Debtors (19)	To commence Q3	20											
SODC			0.0										
VWHDC			0.0										
Pro-Active Anti-Fraud Review (19)	To commence Q4	16											
SODC			0.0										
VWHDC			0.0										
Cash Office (19)	To commence Q4	10											
SODC			0.0										
VWHDC			0.0										

System Name As at 2 September 2013	Status	Audit Allocation	Total Days Used	Exception Issues	Audit Opinion	No. of Recs	High	No. Agreed	Medium	No. Agreed	Low	No. Agreed	Total Not Agreed
Business Continuity (19)	**Draft out**	14											
SODC			5.0										
VWHDC			5.0										
Health & Safety (18)	**Draft out**	20											
SODC			8.0										
VWHDC			8.0										
Treasury Management (17)	To commence Q3	14											
SODC			0.0										
VWHDC			0.0										
Capital Management and Accounting (17)	To commence Q3	14											
SODC			0.0										
VWHDC			0.0										
Council Fees & Charges (17)	To commence Q4	20											
SODC			0.0										
VWHDC			0.0										
Licensing (17)	**Completed**	20											
SODC			12.5		**Limited**	**12**	0	0	5	5	7	7	**0**
VWHDC			12.0		**Limited**	**15**	0	0	7	7	8	8	**0**
Lone Working/ Officer Security (16)	**Completed**	20											
SODC			10.0		**Satisfactory**	**6**	0	0	3	2	3	3	**1**
VWHDC			10.0		**Satisfactory**	**4**	0	0	2	1	2	2	**1**
Brown Bins (16)	**TOR sent**	20											
SODC			1.0										
VWHDC			1.0										
Post Room (including receipt of valuable items) (16)	**Completed**	20											
SODC			7.0		**Satisfactory**	**6**	0	0	1	1	5	5	**0**
VWHDC			7.0		**Satisfactory**	**4**	0	0	0	0	4	4	**0**
Intra Council Recharges (16)	**Completed**	20											
SODC			8.5		**Satisfactory**	**5**	1	1	3	3	1	1	**0**
VWHDC			8.5		**Satisfactory**	**4**	1	1	3	3	0	0	**0**
Temporary Accommodation (including rent deposit, rent in advance & rent accounting) (15)	To commence Q4	24											
SODC			0.0										
VWHDC			0.0										
Stock Control (15)	**Completed**	12											
SODC			6.0		**Satisfactory**	**6**	0	0	3	3	3	3	**0**
VWHDC			6.0		**Satisfactory**	**4**	0	0	2	2	2	2	**0**
RIPA (15)	**In progress**	10											
SODC			3.5										
VWHDC			3.5										

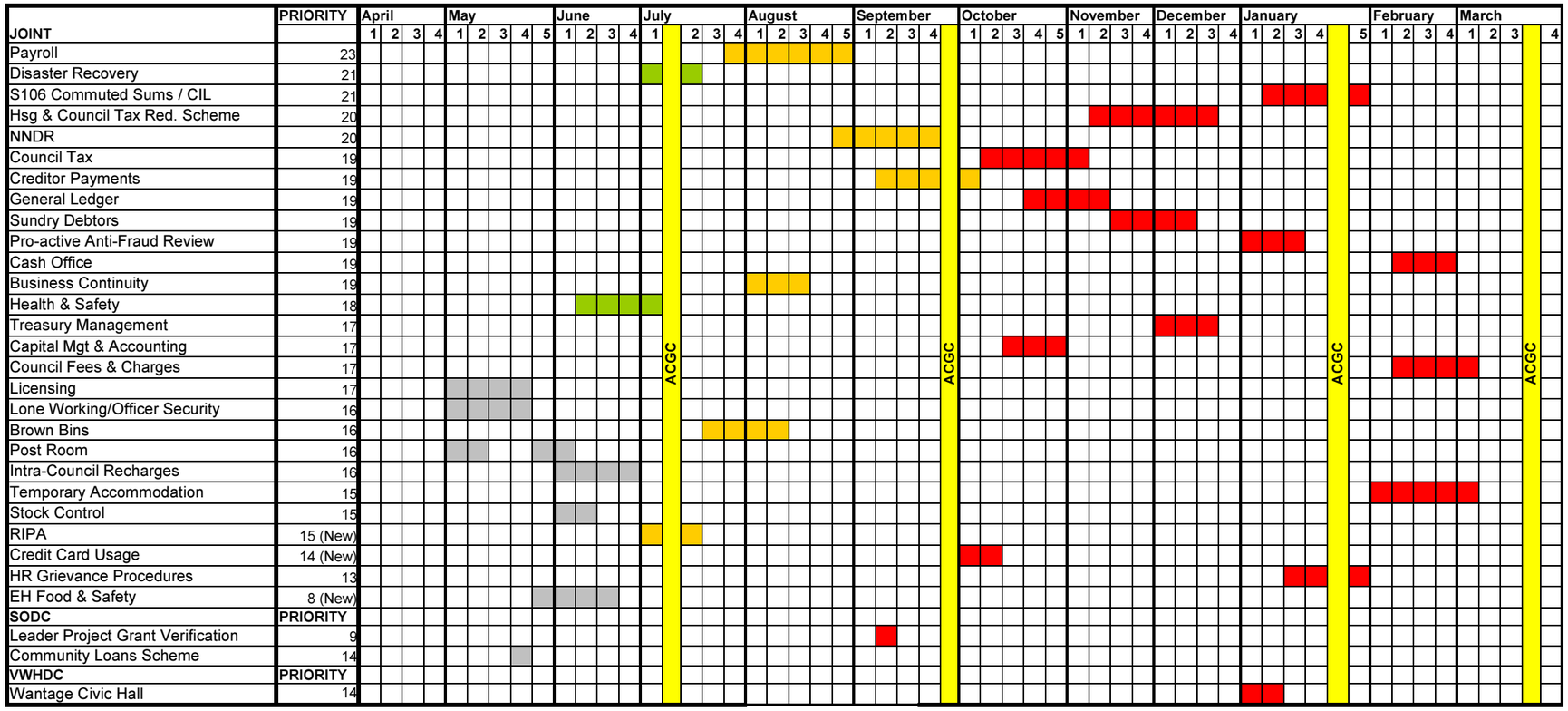
System Name As at 2 September 2013	Status	Audit Allocation	Total Days Used	Exception Issues	Audit Opinion	No. of Recs	High	No. Agreed	Medium	No. Agreed	Low	No. Agreed	Total Not Agreed
Credit Card Usage (14)	To commence Q2	8											
SODC			0.5										
VWHDC			0.5										
HR Grievance Procedures (13)	To commence Q4	14											
SODC			0.0										
VWHDC			0.0										
Environmental Health Food & Safety (8)	**Completed**	20											
SODC			11.0		**Satisfactory**	**9**	0	0	2	1	7	6	**2**
VWHDC			11.0		**Satisfactory**	**7**	0	0	1	1	6	5	**1**
SODC													
Community Loans Scheme (14)	**Completed**	4	4.0		**Full**	**3**	0	0	1	1	2	2	**0**
Leader Project Grant Verification (9)	To commence Q2	5	0.5										
VWHDC													
Wantage Civic Hall (14)	To commence Q4	10	0.0										
IA PLANNED AUDIT TOTALS	**-**	**515**	**190**	**Full** **Satisfactory** **Limited** **Nil**		85	2	2	33	30	50	48	5

This page is intentionally left blank

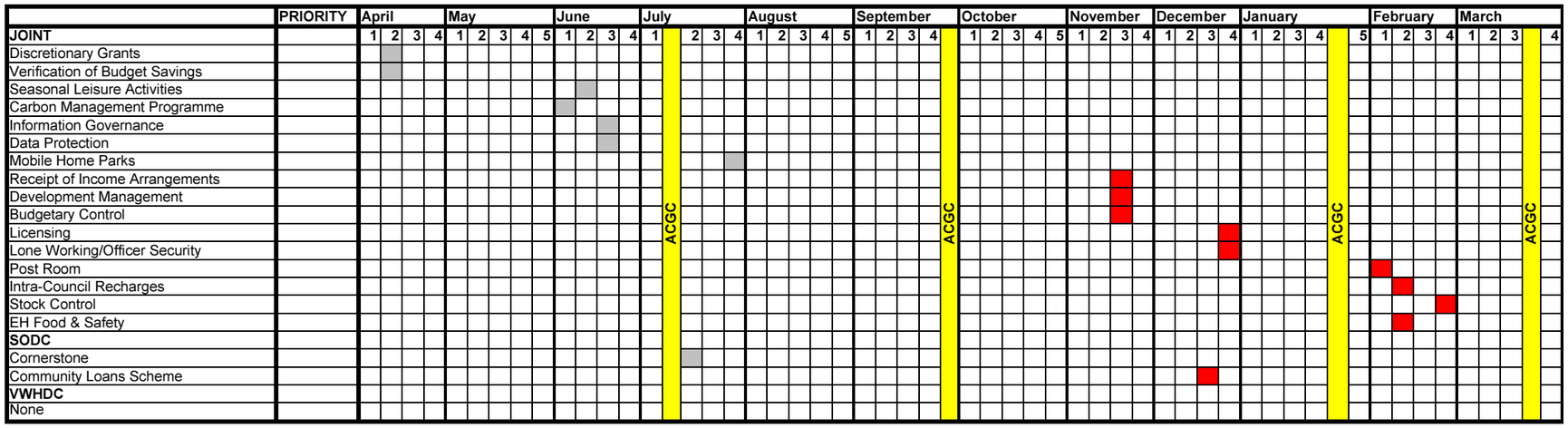
AUDIT PLAN SCHEDULE 2013/2014 (As at 2 September 2013)

Appendix 2

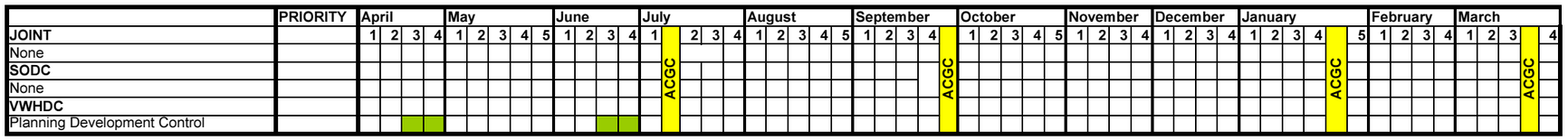
PLANNED AUDITS



FOLLOW UP AUDITS



UNPLANNED AUDITS



Key

- Projected Start Date
- In Progress
- Draft Issued
- Complete

This page is intentionally left blank

Audit and Corporate Governance Committee

Report of Interim Audit Manager

Author: Craig Pullen

Telephone: 01491 823544 (SODC); 01235 547615 (VWHDC)

Textphone: 18001 01491 823326 (SODC); 18001 01235 540455 (VWHDC)

E-mail: craig.pullen@southandvale.gov.uk

Cabinet member responsible: Councillor David Dodds

Tel: 01844 216794

E-mail: david.dodds@southoxon.gov.uk

To: Audit and Corporate Governance Committee

DATE: 26 September 2013

Internal audit activity report quarter two 2013/2014

Recommendation

(a) That members note the content of the report.

Purpose of report

1. The purpose of this report is to summarise the outcomes of recent internal audit activity for the committee to consider. The committee is asked to review the report and the main issues arising, and seek assurance that action has been or will be taken where necessary.

Background

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

3 After each audit assignment, internal audit has a duty to report to management its findings on the control environment and risk exposure, and recommend changes for improvements where applicable. Managers are responsible for considering audit reports and taking the appropriate action to address control weaknesses.

4. Assurance ratings given by internal audit indicate the following:

   Full Assurance: There is a sound system of internal control designed to meet the system objectives and the controls are being consistently applied.

   Satisfactory Assurance: There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

   Limited Assurance: There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

   Nil Assurance: Control is weak leaving the system open to significant error or abuse and/or there is significant non-compliance with basic controls.

5. Each recommendation is given one of the following risk ratings:

   High Risk: Fundamental control weakness for senior management action

   Medium Risk: Other control weakness for local management action

   Low Risk: Recommended best practice to improve overall control

Internal Audit Activity

6. Since the last audit and corporate governance committee meeting, the following audits have been completed:

   Planned Audits

   Full Assurance: 1
   Satisfactory Assurance: 5
   Limited Assurance: 1
   Nil Assurance: 0

	Assurance Rating	No. of Recs	High Risk Recs.	No. Agreed	Medium Risk Recs.	No. Agreed	Low Risk Recs.	No. Agreed
Licensing 13/14	**Limited**	**12**	0	0	5	5	7	7
Community Loans Scheme 13/14	**Full**	**3**	0	0	1	1	2	2
Lone Worker Working 13/14	**Satisfactory**	**6**	0	0	3	2	3	3
Post Room 13/14	**Satisfactory**	**6**	0	0	1	1	5	5
Env Health Food & Safety 13/14	**Satisfactory**	**9**	0	0	2	1	7	6
Inter-Council Recharges 13/14	**Satisfactory**	**5**	1	1	3	3	1	1
Stock Control 13/14	**Satisfactory**	**6**	0	0	3	3	3	3

Follow Up Reviews

	Initial Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing
Data Protection 12/13	**Satisfactory**	**5**	1	2	0	2
Mobile Home Parks 12/13	**Satisfactory**	**9**	5	1	3	0
Cornerstone 12/13	**Satisfactory**	**4**	2	1	1	0

7. Members of the committee are asked to seek assurance from the internal audit report and/or respective managers that the agreed actions have been or will be undertaken where necessary.

8. A copy of each report has been sent to the appropriate head of service, the relevant strategic director, the section 151 officer and the relevant member portfolio holder. In addition to the above arrangements, reports are now published on the council intranet and committee members are alerted by e-mail when reports are published.

9. Internal audit continues to carry out a six month follow up on all non-financial audits to establish the implementation status of agreed recommendations. All

key financial system recommendations are followed up as part of the annual assurance cycle.

Systemic Control Weaknesses

10. **Appendix 2** of this report sets out weaknesses which have been identified within planned audits which internal audit consider to be systemic within the council. Every recommendation made by internal audit since April 2010 has been logged within a recommendation register according to an Institute of Internal Auditors control type definition, and a point system has been used - 1 point for a low risk recommendation, 2 points for a medium risk recommendation and 3 points for a high risk recommendation. The points have been totalled against each control type, and the top 10% control weaknesses which occur across a number of operational areas have been listed as a systemic control weakness. The table will be reviewed and updated by the audit manager, head of finance and the strategic director (section 151 officer) on an ongoing basis, and will be used to inform the annual audit plan and the scope of individual reviews

Financial Implications

11. There are no financial implications attached to this report.

Legal Implications

12. None.

Risks

13. Identification of risk is an integral part of all audits.

CRAIG PULLEN
INTERIM AUDIT MANAGER

1. LICENSING 2013/2014

1. INTRODUCTION

1.1	This report details the internal audit review of procedures, controls and the management of risk in relation to licensing. The audit has been undertaken in accordance with the 2013/2014 audit plan agreed with the audit and corporate governance committee of South Oxfordshire District Council (SODC). The audit has a priority score of 17. The audit approach is provided in the audit framework in Appendix 1.
1.2	The following areas have been covered during the course of this review to provide assurance that: • appropriate guidance to new applicants, licensing policies and procedures are in place and are adhered to; • applications and appeals for licences are appropriately processed, issued and accurately recorded; • invoices are issued and receipted correctly and in a timely manner; • there are appropriate performance management measures in place; • licence database and renewals are appropriately managed; and • adequate controls are in place to detect and prevent individuals and organisations operating without an appropriate licence.

2. BACKGROUND

2.1	The council has a role in the licensing of a range of activities (e.g. the issue of personal and premises licences for the sale of alcohol and provision of late night refreshments). The council licensing team is led by a new shared licensing team leader and includes an enforcement team and business support unit. The environmental protection team (e.g. animal welfare) and food & safety team (e.g. skin piercing) also issue licences, a responsibility which was taken on in March 2012. For the financial year 2012/2013 £151,717 was received for hackney carriage licences and £317,282 was received for other licences.

3. PREVIOUS AUDIT REPORTS

3.1	Licensing was last subject to an internal audit follow up review in June 2012 and nine recommendations remained outstanding.
3.2	Of the nine recommendations outstanding, six have been restated, one revised as new and two implemented (**Recs 7-12**). The primary reason for a delay in implementing recommendations has been a delay to the procurement of a new licensing database.

4. 2013/2014 AUDIT ASSURANCE

4.1	**Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.
4.2	12 recommendations have been raised in this review. Five medium risk and seven low risk.

5. MAIN FINDINGS

5.1	**Appropriate guidance, policies and procedures**
5.1.1	The licensing web pages on the council website outline guidance on how to apply for licences, relevant policies and legislation (e.g. the licensing and gambling act). The licensing team are currently going through the process of documenting procedure notes for key processes. A recommendation from the previous audit has been restated (**Rec 8**).
5.1.2	There are no process notes for the environmental protection or food & safety team. Internal audit noted the council licensing and environmental health enforcement policy needs to be reviewed. Two further recommendations have been made as a result of our work in this area (**Recs 1 & 2**).
5.2	**Applications**
5.2.1	The application process varies for each of the licences issued by the council. Internal audit have reviewed the application procedures for each licence, and conducted a spot check to check the information requirements had been adequately communicated to prospective applicants. From each review no matters of concern were identified. Internal audit reviewed the processing of 10 licence applications to check appropriate and timely administration. There were no concerns from the testing for this area. Internal audit noted there is no written delegation for those who do authorise the issue of licences. One recommendation has been raised as a result of our work in this area (**Rec 3**).
5.3	**Processing of invoices**
5.3.1	Internal audit reviewed the process of renewing licenses. Invoices need to be processed for the renewal of certain licenses, and are raised via the Agresso Business World system. Debts are managed in accordance with the council debtor management policy. Payments can be made online or via the cash office. From internal audit's sample testing there were no issues of concern raised. Internal audit did note

	2013/2014 fees for certain licences (e.g. animal welfare) are not available on the council web pages. One recommendation has been made as a result of our work in this area (**Rec 4**).
5.4	**Performance management**
5.4.1	The shared licensing team leader manages performance with the use of Development and Performance Reviews (DPRs), service plans and team meetings (e.g. quarterly reviews and performance points meetings). Internal audit noted there is no performance management statement or policy. Internal audit sampled 10 performance development plan targets and found them to be adequately detailed and specific, measurable, achievable, relevant and time-bound (SMART).
5.4.2	Internal audit queried performance management in environmental protection and food and safety team who also issue licenses. Environmental protection performance management framework does not include licensing duties. Internal audit identified minutes had not been recorded for quarterly licensing team meetings. Two recommendations have been raised as a result of our work in this area (**Recs 5 & 6**).
5.5	**Renewals**
5.5.1	The renewals process differs for the various licences issued by the council. Internal audit reviewed the renewals processes and reviewed a sample of 10 renewals to check whether they had been administered appropriately.
5.5.2	The renewals process is managed by those officers responsible for the initial issue of the licence. For the majority of licences (e.g. taxi and premises), the renewals are recorded on the licensing database (Ocella). Other licenses managed by the licensing team are documented on spreadsheets, e.g. gambling licenses. No recommendations have been raised as a result of our work in this area.
5.6	**Detection of those operating without a licence**
5.6.1	The council responsibilities over compliance and detection are outlined in the 2003 Licensing Act, Local Government (Miscellaneous Provisions) Act 1976 and Town Police Clauses Act 1847. Licensing enforcement officers conduct inspections, for example, officers carry out spot checks (e.g. of taxi ranks). Inspections are also carried out by the environmental protection (e.g. riding establishments) and food & safety (e.g. skin piercing outlets) teams. Internal audit checked and reviewed the audit trail for 10 enforcement cases and no concerns were noted.

5.6.2	The council's licensing responsibilities include establishing a licensing register. The council has an online register which is on the council web pages. From a review of the license registers these appears to be sufficiently detailed. No recommendations have been raised as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

GUIDANCE, POLICIES AND PROCEDURES

1. Procedure notes		**(Low Risk)**
Rationale	**Recommendation**	**Responsibility**
Best Practice The licensing enforcement policy is regularly reviewed (e.g. bi-annually) by an appropriate officer. Findings Internal audit noted the council licensing and environmental health enforcement policy needs to be reviewed (the licensing enforcement policy was last reviewed in 2006). Risk Best practice is not adopted and the enforcement policy does not reflect current practice.	Review the licensing enforcement policy.	Shared Licensing Team Leader
Management Response		**Implementation Date**
Recommendation is **Agreed** The Licensing team has developed draft enforcement guidance for the assorted licensing legislation. There remains a need for an overarching enforcement policy covering all the key areas of enforcement. This piece of work is being undertaken by the Environmental Health team and as such is not under the control of Licensing. We will continue to work with the EH team as required. Management Response: Shared Licensing Team Leader		30 December 2013

2. Procedure notes		**(Low Risk)**
Rationale	**Recommendation**	**Responsibility**
Best Practice Procedure notes are established for all key processes. Findings There are no procedure notes established for the issue of licenses administered by environmental protection and food & safety teams. Risk Best practice is not adopted	Establish procedure notes for the issuing of licences: o skin piercing o animal welfare o environmental permits o motor salvage and scrap metal and other permits.	Environmental Protection (Team Leader) & Food and Safety Manager

especially in the absence of key officers.		
Management Response		**Implementation Date**
Recommendation is **Agreed** Current animal welfare procedures to up date. Procedures are in place for scrap metal and motor salvage operator registrations – but this whole regime is due to change in October 2013. Management response: Team Leader (Environmental Protection)		31 December 2013
Recommendation is **Agreed** Procedure notes for skin piercing are in the process of being produced to coincide with the adoption of new skin piercing byelaws. Management response: Food and Safety Manager		30 August 2013

PROCESSING OF APPLICATIONS

3. Delegation of responsibility		**(Medium Risk)**
Rationale	**Recommendation**	**Responsibility**
Best Practice There is a clear delegation of responsibility for the process of authorising and the issue of licences on behalf of the council. Findings Licensing officers can approve the issue of licences on behalf of heads of service. This delegation of responsibility is not documented. After discussion with the shared licensing team it was identified the authorisation list needs updating. Risk There is a lack of best practice adopted and increased risk of dispute over roles and responsibilities.	Review and update the licensing authorisation lists.	Shared Head Of Legal And Democratic Services
Management Response		**Implementation Date**
Recommendation is **Agreed** This has been identified by the HoS and service manager as an issue. Work is currently underway to produce a clear path of delegation and clarification of roles and responsibilities. Management Response: Shared Licensing Team Leader		30 December 2013

INVOICES

4. Fees		(Low Risk)
Rationale	**Recommendation**	**Responsibility**
Best Practice Licence fees are clearly stated on the council website. Findings Environmental protection licence fees for 2012/2013 and not 2013/2014 are on the council website. In addition, the appropriate fees are not stated for sex establishments. Risk Best practice is not adopted and unnecessary time is taken establishing fees due to customer enquiries. Council budgets may also be hindered.	Ensure the 2013/2014 (a) sexual venue licensing and (b) environmental protection licensing web pages are updated with appropriate fees.	(a) Shared Licensing Team Leader
Management Response		**Implementation Date**
Recommendation is **Agreed** The website will be updated with the fees for sex establishments. Management Response: Shared Licensing Team Leader		30 July 2013
Recommendation is **Not Agreed** Fees have not been increased. This change has already been implemented and clarification of fee levels changes in future financial years undertaken to seek to prevent recurrence of any delay. Management response: Team Leader (Environmental Protection)		31 December 2013

PERFORMANCE

5. Performance management		(Low Risk)
Rationale	**Recommendation**	**Responsibility**
Best Practice (a) A performance management policy is established and communicated to all necessary officers. (b) Performance statistics are regularly prepared. (c) Performance evaluations include licensing duties. Findings Licensing: Internal audit noted there is no overarching document over	(a) Consider establishing a performance management statement or policy for the licensing team. (b) Translate raw data (over the processing of applications by the licensing team) to performance statistics which can be monitored effectively. (c) Consider incorporating the issue of licences within	(a) and (b) Shared Licensing Team Leader (c) Team Leader (Environmental Protection)

how performance is managed. Raw processing data is recorded but not been translated into percentage points. Environmental protection: The processing of applications does not feature in the service area's performance for the environmental protection team. Food and Safety: The shared food & safety manager has stated as part of a review of the licensing process, key performance indicators such as response times will be incorporated in the team's performance points. <u>Risk</u> There is a lack of performance management strategy and assessment.	the performance management framework for environmental protection.	
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** (a) and (b) In the absence of an integrated licensing software system the team has developed a range of ad-hoc data recording mechanisms both for enforcement and licence processing. The information is displayed on the PP and monitored by managers. The team are also looking at new ways of capturing and recording customer satisfaction levels. The new licensing software will provide accurate performance monitoring and recording for all staff Management Response: Shared Licensing Team Leader (c) Animal welfare inspections are incorporated on EP performance point along with other proactive inspections. The value of increasing the profile of this relatively small work further are unclear – consideration will however be given to whether this is appropriate. Management response: Team Leader (Environmental Protection)		(a) and (b) Software to be operational by 1 February 2014. Full implementation by 1 April 2014 (c) 31st December 2013

6. Team meeting minutes		**(Low Risk)**
Rationale	**Recommendation**	**Responsibility**
<u>Best Practice</u> Action points are recorded for all team meetings. <u>Findings</u> The licensing team hold quarterly team meetings. The last meeting was held in March 2013 however the last set of minutes available date back to October 2012.	Ensure minutes are documented for all team meetings.	Shared Licensing Team Leader

Risk There is a lack of audit trail over key decisions.		
Management Response		**Implementation Date**
Recommendation is **Agreed** Immediate implementation. Action points (rather than minutes) to be recorded from next team meeting in July 2013. Management Response: Shared Licensing Team Leader		30 July 2013

PREVIOUS RECOMMENDATIONS 2011/2012

7. Gambling Policy		**(Low Risk)**
Rationale	**Recommendation**	**Responsibility**
Best Practice Licensing advice and documentation should be up to date. Previous Findings (2010/2011) The council's web pages for licensing include information about the Gambling Act 2005. This states the gambling policy is under review and invites comments by 25 November 2009. Links to two similar gambling policy documents are provided and one appears to be a consultation document which is out of date. Current Findings (2013/2014) The introduction of a joint gambling policy with VWHDC is currently ongoing and is listed within the service plan. Risk If more than one version of the council's gambling policy is provided then applicants may not follow the most accurate and up to date advice.	The gambling section of the council's licensing website should be reviewed and updated accordingly to remove any out of date wording and documentation.	Shared Licensing Team Leader
Management response 2010/2011		**Implementation date**
Recommendation is **Agreed** The new business support supervisor will be responsible for undertaking a review of the Licensing websites in both South and Vale. This review will ensure the updating of information and inclusion of all missing sections as appropriate. Individual business support and licensing technical officers may be allocated specific tasks. These will be incorporated into PDP targets as appropriate. Management Response: Shared Licensing Team Leader		Commence March 2012 completed end March 2013.

Management response 2013/2014	Implementation date
Recommendation is **Agreed** There is no significant difference between the current and proposed versions of the gambling policy apart form the issue of 'No casino's' in the Vale. It will be very clear as to which is the consultation and which is the current version. The consultation commences on the 21.06.13. Management response: Shared Licensing Team Leader	Immediate with new policy in place for 6 November 2013

8. Procedures		(Medium Risk)
Rationale	**Recommendation**	**Responsibility**
Best Practice Documented and agreed procedures are in place covering all aspects of the licensing function. Previous Findings (2010/2011) Flow chart procedures cover premises license and lottery permit applications but formal documented procedures or checklists are not in place covering all of the licensing functions. A checklist is part of the hackney/private hire vehicle and driver applications form but does not appear on other licensing applications. Current Findings (2013/2014) The shared licensing team leader stated the harmonisation of policies and procedures will be introduced during the implementation of the new licensing database which is currently planned for the end of summer 2013. Risk If procedures are not in place it may be more difficult to provide cover in cases of absence or when key staff leave.	Establish procedure notes for all key processes.	Shared Licensing Team Leader
Management response 2010/2011		**Implementation date**
Recommendation is **Agreed** The shift to the new Ocella system for both teams during 2012 will require the codification and harmonisation of all procedures. This work will be undertaken by all officers and work has already been incorporated into officers 2011/12 PDP targets. Management Response: Shared Licensing Team Leader		Started April 2011 to be completed by end December 2012.
Management response 2012/2013		**Implementation date**
Recommendation is **Agreed**		The intention is to have

The shift to the new licensing system for both teams during late 2013 will require the codification and harmonisation of all procedures. This work will be undertaken by all officers and work has already been incorporated into officers 2013/14 DPR targets. Management Response: Shared Licensing Team Leader	the new system in place and staff training undertaken by end quarter 4 2013/14

9. Lotteries		**(Medium Risk)**
Rationale	**Recommendation**	**Responsibility**
Best Practice Annual renewal fees for lottery permits should be payable on the anniversary of their registration as opposed to each January. The administration of lottery renewals is in compliance with legislation. Previous Findings (2010/2011) The council's webpage relating to society lottery permits states an annual fee is due in January each year. This is also stated within the flow chart procedure for lottery permits. The Small Society Lotteries (Registration of Non-Commercial Societies) Regulations 2007 state the annual fee payable to the registering local authority must be paid within the two months prior to the anniversary of the registration. Current Findings (2013/2014): (a) The shared licensing team leader stated the necessary changes will be made when the new licensing software is in place. (b) The Small Society Lotteries (Registration of Non-Commercial Societies) Regulations (2007) state "The annual fee …must be paid within the period of two months which ends immediately before each anniversary of the registration.". From speaking to the Shared Business Support Supervisor (Licensing) it was identified fees are acceptable two months after the deadline (i.e. March). Risk If lottery permits renewal fees are not collected on or prior to the anniversary of the registration then	(a) Society lottery permit renewals should be due and reminded two months prior to the anniversary of their issue. (b) Clarify and ensure the administration of lottery licenses is in compliance with the Small Society Lotteries (Registration of Non-Commercial Societies) Regulations (2007).	Shared Licensing Team Leader

the council are not complying with legislative requirements. There is a risk of non-compliance with legislation.		
Management response 2010/2011		**Implementation date**
Recommendation is **Agreed** The new business support supervisor will be responsible for undertaking a review of the Licensing websites in both South and Vale. This review will ensure the updating of information and inclusion of all missing sections as appropriate. Individual business support and licensing technical officers may be allocated specific tasks. These will be incorporated into PDP targets as appropriate. The shift to the new Ocella system will bring automatic renewal reminders. Management Response: Shared Licensing Team Leader		Commence March 2012 completed end March 2013
Management response 2013/2014		**Implementation date**
Recommendation is **Agreed** The new licensing system will require a clarification and codification of the invoicing system. The new system will be fully compliant with the legislation. Management Response: Shared Licensing Team Leader		The intention is to have the new system in place and necessary changes by end quarter 4 2013/14

10. Gambling Act applications		**(Medium Risk)**
Rationale	**Recommendation**	**Responsibility**
Best Practice Licenses issued under the Gambling Act 2005 are recorded on the licensing system and the processing of the licenses is covered by suitably documented procedures. Previous Findings (2010/2011) Applications made under the Gambling Act 2005 are not recorded on the Ocella system. While no issue was identified with the club gaming permit checked within the current review, the knowledge regarding gambling licenses appears to rest with one individual. Current Findings (2013/2014) Currently there has been no change in how gambling licences are recorded. Risk If details of Gambling Act 2005 licenses are not recorded on the	Licenses issued under the Gambling Act 2005 should be recorded on the licensing system and the processing of the licenses should be covered by suitably documented procedures.	Shared Licensing Team Leader

licensing system it may prove difficult and time consuming to answer any queries which may arise.		
Management response 2010/2011		**Implementation date**
Recommendation is **Agreed** The shift to the new Ocella system for both teams during 2012 will require the codification and harmonisation of all procedures. This work will be undertaken by all officers and work has already been incorporated into officers 2011/12 PDP targets. Management Response: Shared Licensing Team Leader		Started April 2011 to be completed by end December 2012.
Management response 2013/2014		**Implementation date**
Recommendation is **Agreed** The shift to the new licensing system for both teams during late 2013 will require the codification and harmonisation of all procedures. This work will be undertaken by all officers and work has already been incorporated into officers 2013/14 DPR targets. Management Response: Shared Licensing Team Leader		The intention is to have the new system in place and necessary changes by end quarter 4 2013/14

11. Online payments		**(Low Risk)**
Rationale	**Recommendation**	**Responsibility**
Best Practice All amounts paid for licenses should be allocated according to the type of license within the financial system. Previous Findings (2010/2011) Online payments made for licensing are all coded to attribute APA (Band A Premises/club annual fee) regardless of what the payment relates to. Current Findings (2013/2014) After speaking to the Shared Licensing Team Leader, internal audit were informed the process of reviewing codes used is currently ongoing. Risk If payments are not allocated to the correct attribute it may prove more time consuming to trace payments in case of query. Furthermore the amounts paid by type of license may not be accurately reported within the financial system.	The council IT section should be asked to check if online payments can be allocated to the correct attribute in Agresso otherwise consideration should be given to having an attribute for online payments.	Shared Licensing Team Leader

Management response 2010/2011	Implementation date
Recommendation is **Agreed in Principle** This work will need to be undertaken with the accountancy team but will support the shift to greater clarity in areas such as fee setting for taxis and the proposed changes to the Licensing Act 2003. Management Response: Shared Licensing Team Leader	January 2012 for completion in April 2013
Management response 2013/2014	**Implementation date**
Recommendation is **Agreed in Principle** The Licensing team has already undertaken a substantial amount of work in this area with the accountancy team. Further work will be done as part of the new software installation and the ongoing systems harmonisation. Management Response: Shared Licensing Team Leader	Ongoing for completion April 2014

12. Reconciliations		(Medium Risk)
Rationale	**Recommendation**	**Responsibility**
Best Practice Income should be regularly reconciled to ensure income is being received as expected and also to identify any coding errors. Previous Findings (2008/2009) The recommendation made following the 2006/2007 audit has not been implemented as a full income reconciliation is not undertaken. Current Findings (2012/2013) (a) Whilst payments are taken up front for license applications and renewals that are invoiced are managed through Agresso's debtor module, there is no reconciliation undertaken of the licensing system with the general ledger codings. (b) The recommendation has been extended to the environmental protection and food & safety teams who have taken the responsibility of issuing licences in 2012/2013 Risk If income is not reconciled with the general ledger then any miscodings may not be identified.	(a) Income reconciliation to compare licensing records with general ledger codings should be regularly undertaken by the licensing team. (b) Income reconciliation to compare licensing records with general ledger codings should be regularly undertaken by environmental protection and food & safety team.	(a) Shared Licensing Team Leader (b) Team Leader (Environmental Protection) and Food & Safety Manager
Management Response – 2008/2009		**Implementation Date**
(a) Recommendation is **Agreed**		31 October 2008

Management Response: Environmental and Licensing Manager	
Management Response – 2011/2012	**Implementation Date**
(a) Recommendation is **Agreed in Principle** This work will need to be undertaken with the accountancy team but will support the shift to greater clarity in areas such as fee setting for taxis and the proposed changes to the Licensing Act 2003. Management Response: Shared Licensing Team Leader	Completion in April 2013.
Management response 2013/2014	**Implementation date**
(a) Recommendation is **Agreed in Principle** The Licensing team has already undertaken a substantial amount of work in this area with the accountancy team. Further work will be done as part of the new software installation and the ongoing systems harmonisation. Management Response: Shared Licensing Team Leader (b) Recommendation is **Agreed** This work shall be implemented to match our Agresso records with the fees that should have been charged Management response: EP Team Leader Income reconciliation will be carried out on a quarterly basis as part of the quarterly budget monitoring process Management response: Food and Safety Manager	(a) Ongoing for completion April 2014 (b) Environmental Protection: Immediately Food and Safety: 30 July 2013

APPENDIX 2

SYSTEMIC CONTROL WEAKNESSES

Background

The table below lists systemic control weaknesses which have been identified at either or both councils (SODC and VWHDC), from the internal audit reports issued in final since 1 April 2010. The table will be reviewed and updated by the audit manager, head of finance and the strategic director (section 151 officer) on an ongoing basis, and will be used to inform the annual audit plan and the scope of individual reviews.

Definition

A systemic control weakness is defined for the purpose of this table, as a significant control weakness which has been identified across a number of operational areas.

Methodology

Every recommendation made by internal audit has been logged within a recommendation register according to an Institute of Internal Auditors control type definition, and a point system has been used - 1 point for a low risk recommendation, 2 points for a medium risk recommendation and 3 points for a high risk recommendation. The points have been totalled against each control type, and the top 10% control weaknesses have been listed as a systemic control weakness according to their recommendation

Systemic control weaknesses as at 2 September 2013

No	Systemic control weakness	Council	Rec point total	List Entry Date	Movement Since Last Committee
1	Policies, procedures and guidance notes are not comprehensive, up to date and are not owned by a responsible officer.	Joint	197	01/08/11	Increase (13)
2	There should be regular reconciliation of information/data/items.	Joint	52	01/08/11	Increase (3)
3	All officers/members should be trained in their role and corporate responsibilities	Joint	46	02/09/13	New
4	Documents should be filed appopriately.	Joint	45	21/06/12	Increase (4)
5	There should be regular financial reconciliations.	Joint	41	05/06/13	Increase (2)

This page is intentionally left blank