Annual Governance Statement 2012/13

CONTENTS

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.

Significant governance issues

125. 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