

Vale of White Horse District Council

Draft Annual Governance Statement

2011/12

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.....	7
Financial framework	7
Risk management framework.....	8
4.0 Review of effectiveness of the governance framework	9
Review of objectives	9
Performance management and service planning	9
Legal framework.....	11
Financial framework	13
Councillors' and senior officers' development	16
Internal audit and the internal audit manager	17
Risk management	18
Anti-fraud and corruption, whistleblowing and money laundering	19
Business continuity	20
Audit and Governance Committee	20
The Scrutiny Committee	21
Standards Committee	21
External sources of assurance on the governance framework.....	21
5.0 Significant governance issues	22
Appendix 1: Vale of White Horse District Council management structure	

1.0 Scope of responsibility

1. Vale of White Horse District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
2. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in 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 to manage risk.
4. The council has in place corporate governance reporting arrangements and has adopted a local code of governance. This local code of governance is consistent with the “*Delivering Good Governance in Local Government*” publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), which was published in July 2007.
5. This statement explains how Vale of White Horse District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011, in relation to an annual review of the effectiveness of the council’s system of internal control and the preparation and approval of an annual governance statement.
6. Our website at www.whitehorsedc.gov.uk has a copy of the local code of corporate governance within its Constitution or it can be obtained from:

Democratic Services
Vale of White Horse District Council
Abbey House
Abbey Close
Oxfordshire
OX14 3JE

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 2012 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, cost-effective 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. Vale of White Horse District Council has executive arrangements in place consisting of a cabinet and a scrutiny committee. Cabinet is responsible for proposing the policy framework, the budget, and key strategies, and implementing them once approved by Council. The scrutiny function allows the committee to question and challenge the policy and performance of Cabinet and promote public debate.
12. The chief executive, who was appointed joint chief executive of this council and South Oxfordshire District Council in September 2008, advises councillors on policy and procedures to drive the aims and objectives of the authority. As head of the officer staff, the chief executive oversees the employment and conditions of staff. The chief executive leads a strategic management board that is shared with South Oxfordshire District Council. The chief finance officer, the monitoring officer and heads of service are responsible for advising the executive and scrutiny committee on legislative, financial and other policy considerations to achieve the council's objectives and are responsible for implementing councillors' decisions. The management structure is shown at appendix 1 to this document:

13. The council's governance framework for 2011/12 was based on its local code of governance, which was adopted in 2010. Within the framework the council aims 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 the council does the right things, in the right way, for the right people, in a timely, inclusive, open, honest, cost-effective and accountable manner, the council's strategic planning framework incorporates residents' and service-providers' views as well as national and local priorities.
15. The council's vision was changed in October 2011. It now reads: 'taking care of your interests across the Vale with enterprise, energy and efficiency'. It reflects the council's desire to achieve the best services possible for the district.
16. The council's strategic planning framework incorporates the Local Strategic Partnership's sustainable communities strategy for the area. The local development framework, a set of planning policy documents that sets out how the council will use land, has been the basis to achieve both our partners' and the council's wider objectives. The council also regularly consults residents and service-users to identify their priorities for service improvement and how satisfied they are with the council's services.
17. In February 2012, the Council adopted a new corporate plan covering the period 2012-2016. This sets out the council's strategic objectives and corporate priorities, which are as follows:

STRATEGIC OBJECTIVE	CORPORATE PRIORITIES
Excellent delivery of services	<ul style="list-style-type: none"> • Put residents at the heart of service delivery and seek to provide an excellent customer experience • Keep residents and other stakeholders informed

STRATEGIC OBJECTIVE	CORPORATE PRIORITIES
	<p>about our services, activities and spending and ensure we take their views into account before making key decisions</p> <ul style="list-style-type: none"> • Deliver high performing services with particular emphasis on achieving excellent levels of recycling, keeping streets and public spaces clean and attractive and ensuring good quality sports and leisure provision
Effective management of resources	<ul style="list-style-type: none"> • Keep council tax low • Agree prudent and sustainable medium term financial plans • Reduce energy usage throughout the council's operations • Continue to work in partnership with South Oxfordshire District Council to extend the sharing of services and resources
Meeting housing need	<ul style="list-style-type: none"> • Set housing targets and identify land supply to meet future housing need • Process planning applications for housing Promptly • Secure sufficient financial contributions from development to deliver essential infrastructure • Ensure that new developments include a range of different types of affordable housing to meet local needs • Work with developers to overcome obstacles to development • Work with local communities to identify suitable sites for community led housing schemes
Building the local economy	<ul style="list-style-type: none"> • Continue to invest to improve the viability and attractiveness of our towns • Develop and implement local development orders to stimulate business growth at Milton Park and Harwell Science Campus • Enter into a commercial partnership to secure redevelopment of Abingdon town centre • Enter into a commercial partnership to secure new retail development at Botley and use some of the proceeds to improve Westway shopping centre • Review the potential for building a new leisure centre in the Wantage/Grove area as Wantage expands • Roll out faster broadband across the district • Deliver the benefits of the Science Vale UK enterprise zone • Improve Infrastructure to support business growth • Maintain low levels of crime and anti social behaviour • Build on the 'Choose Abingdon' partnership to

STRATEGIC OBJECTIVE	CORPORATE PRIORITIES
	create a district-wide business partnership
Support for communities	<ul style="list-style-type: none"> • Improve the way we work with local communities and their representative bodies to create opportunities to localise service delivery • Offer grants to voluntary and community organisations who are delivering projects and services that support our objectives or those in need • Increase usage of Wantage Civic Hall • Support rural communities to identify local issues and needs, and solutions available to meet them • Encourage communities to consider developing Neighbourhood Plans as a means of shaping their local environment • Devolve responsibility for delivery of services to parish councils, community groups and others where it makes sense to do so

18. The corporate plan, along with Oxfordshire-wide plans, guides decisions on how the council invests its financial and staffing resources. These plans determine the types of projects supported through grant funding. Arising from the corporate plan, each service team has a detailed service plan and workplan which identifies how it will undertake specific activities to deliver priorities.

PERFORMANCE MANAGEMENT FRAMEWORK

19. In order to know that the council is achieving the strategic objectives and corporate priorities in the corporate plan, the council sets local performance targets. To meet these targets and objectives, there are 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. The council uses a performance management system to monitor progress against its actions and targets. In the process of monitoring performance, officers forecast year-end outcomes and undertake action planning to get measures back on track if these fall below target. In addition, the council reviews performance at the end of the year and uses this to help set targets for coming years. Where the council is not meeting targets, the responsible head of service discusses these on a monthly basis with their strategic director, Cabinet member, and shadow portfolio holder.
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 operate a formal framework for monitoring the performance of major contractors, and reporting these to a scrutiny committee.

LEGAL FRAMEWORK

23. The constitution sets out how the 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. The constitution includes procedures that govern how the council conducts its business. It also includes protocols covering, for example, the disclosure of interests, the code of governance, councillor calls for action, the petition scheme, 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 must 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 through support to the Standards Committee. The Localism Act 2011 introduced a new standards regime and required councils to adopt a new councillors' code of conduct. The Council adopted a new code of conduct on 16 May 2012, which came into effect on 1 July 2012.

FINANCIAL FRAMEWORK

26. The section 151 officer is responsible for the overall management of the financial affairs of the council. The section 151 officer determines all financial systems, procedures and supporting records of the council, after consultation with heads of service. Any new or amended financial systems, procedures or practices are agreed with the section 151 officer before implementation.
27. The full council is responsible for approving the following:
 - MEDIUM TERM FINANCIAL PLAN
28. In February each year, Cabinet recommends its annual budget and medium term financial plan to the Council. Council approves the budget, the medium term financial plan, and agrees the annual precept.
 - TREASURY AND INVESTMENT MANAGEMENT STRATEGY
29. The treasury management and investment strategy governs the operation of the council's treasury and investment function, and is reviewed annually and also during the year if it becomes necessary. This strategy includes parameters for lending and borrowing, and identifies the risks of treasury activity. The council's Audit and Governance Committee recommended the adoption of an investment management strategy covering property investments. This is due for consideration by the council's asset management group in 2012.
 - CAPITAL STRATEGY
30. The capital strategy governs the council's capital programme.

- REVENUE AND CAPITAL BUDGET SETTING

31. Both revenue and capital budgets are set by full Council. Revenue budget setting includes both the calculation of the council tax base, the precept, and any 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. The council uses 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 Governance Committee.
37. Strategic management board is responsible for the identification, analysis and management of strategic risks and undertakes regular reviews of those risks. Strategic management board also reviews the operational risk registers regularly.
38. Operational risk registers are in place for each service area and all heads of service are responsible for ensuring that risks are identified and prioritised and entered onto the risk register. The operational risk registers are reviewed and refreshed each quarter. The council has integrated the annual refresh of its 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. The council also has a robust approach to business continuity to ensure that priority services can continue to be delivered to 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 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.
42. The following highlights the review of the council's governance framework and sets out the assurances of committees, officers and external organisations.

REVIEW OF OBJECTIVES

43. To ensure that the council is doing the right things in the right way and for the right people, in 2011/12 the council undertook a major review of its corporate plan. In doing this the council undertook workshops with residents when people were asked what they thought the council's priorities should be. Their feedback helped to guide the development of a new four-year corporate plan and shape the new strategic objectives and corporate priorities. Each year the council reviews the corporate plan to ensure that it remains current in the years leading up to the four-yearly redrafting of the plan. The council has set strategic objectives and corporate priorities which provide a framework for the council's work over the next four years, as set out in Section 3.

PERFORMANCE MANAGEMENT AND SERVICE PLANNING

44. Since 2009/10, the council has improved the consistency of its performance management. It publishes a performance management handbook, and promotes 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. It also clarifies the annual cycle of all of the above, with a dynamic display of what actions are required in the current month, together with links to all months that show when various actions are due. The handbook also lists the key responsibilities of specific roles. It reflects the new management structure and the harmonisation of processes. This harmonisation has resulted in considerable savings, both in effort, and financial cost.
45. The performance management handbook contains a data security policy. The council implements this policy by assigning data owners to every local performance target. 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, the council has documented:
- the service area(s) which collect the data
 - the officer responsible for submitting the data

46. In 2010/11, conscious that the traditional quarterly performance reports were dated by the time they had been through the committee reporting cycle, the council introduced a monthly board report, which contains a smaller set of key performance indicators selected by strategic management board, and the Cabinet.
47. The board report graphically details performance in the main areas of council activity, namely:
 - planning
 - housing
 - finance
 - waste management
 - benefits administration
 - complaints management
48. The board report also includes the performance of South Oxfordshire District Council. All charts consistently present:
 - 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
49. A recent analysis of the board report, prepared as part of a report for the Local Government Association, showed that both councils are meeting the vast majority of key performance measures. In addition, the analysis suggested a long-term, on-going trend of improvement.
50. The board report is subject to a rigorous approval process, whereby it is checked firstly by heads of service as data owners, then by strategic management board and Cabinet members. The council publishes the board report on its website and notifies 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, Cabinet members discuss the report. The performance and projects manager attends these briefings, to provide further explanation of the report as required.
51. The board report has been well received by both councillors and senior management, and is constantly evolving to reflect management requirements. The council has automated many of the graphs, so that they now take data directly from the underlying systems. This has been achieved using free software, and this process of automation was completed in 2011/12.
52. The council has continued its approach of asking target and action owners to forecast whether they are on track to deliver year-end outcomes. For each target or action that is 'below target', the owner must provide an action to get back on track.
53. The council's approach to performance management has received critical acclaim from an independent report by the Advanced Performance Institute in

2007. The council has made significant progress over the past years and has implemented a performance management system based on clearly defined output deliverables and priorities.

54. The council continues to operate a strong approach to service planning. In January 2009, it held two externally-facilitated workshops for all heads of service and service managers, designed to make targets and actions SMART. Following the management restructure, the council introduced a combined approach to service planning from 2010/11.
55. 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.
56. In 2012, as a further enhancement to the service planning process, teams will use 'performance points'. This is generally a board, displayed in a team's service area, which shows how the team is performing against key performance targets. There are some performance points which are electronic – they 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 Cabinet members, shadow portfolio holders and strategic directors
57. The council has been developing a new, streamlined, service planning process, which will be used from 2012/13 onwards. This will establish a direct link between the four-year corporate plan and each team's performance point.
58. The council is also working more widely with all the councils and other partners in Oxfordshire to harmonise its approach to performance management. In this work, the council has jointly authored a partnership performance guide and a data sharing protocol to map the flows of data between organisations, and clarify roles. By this means, the council can eliminate the risk of data inconsistency and duplication of effort, and provide a consistent set of management information that partners can use to drive improvement.
59. The combination of all of the approaches above is that the council has a strong focus on delivering priorities, managing performance against targets, and progressing actions.

LEGAL FRAMEWORK

60. At its meeting on 16 July 2008, Council approved the creation of a shared strategic management board with South Oxfordshire 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 strategic management board, in February 2009 shared heads of service were appointed, and in April 2010 shared

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.

61. Section 113 of the Local Government Act 1972 allows a local authority to enter into an agreement with another local authority to place its officers at the disposal of another authority. Staff who are made available under such an arrangement are able to take binding decisions on behalf of the council at whose disposal they are placed, although they remain an employee of their original authority for employment and superannuation purposes. This legislation therefore allows officers to be shared between the two councils. Council authorised the head of legal and democratic services to enter into an agreement under section 113 of the Local Government Act 1972 for this joint arrangement. The section 113 agreement was completed on 26 September 2008 and updated on 18 February 2011.
62. In September 2008, Council was asked to agree that all references to the chief executive, head of paid service, electoral registration officer and returning officer contained in the constitution should apply to the shared chief executive when acting in those roles for each council with effect from 17 September 2008. Following the appointment of the strategic directors and heads of service in 2008 and 2009 respectively, a harmonised scheme of delegation to officers and harmonised contract procedure rules were introduced to meet the requirements of joint working with South Oxfordshire District Council.
63. The constitution was reviewed during the year. This updated the scheme of delegation to chief officers and made procedural changes. The revisions were adopted by full Council.
64. The monitoring officer did not need to use her statutory powers during the year.
65. Part 3 of the Local Government and Public Involvement in Health Act 2007 (the Act) required all principal authorities to adopt either an elected mayor and cabinet or a new style 'strong' leader and cabinet. The Council agreed to adopt the strong leader model, which it implemented in May 2011 following the district council elections.
67. The South Oxfordshire District Council legal services team was again awarded Lexcel in April 2011 and the Vale team was working towards accreditation. This accreditation is a quality mark which the Law Society has developed and which is only awarded to legal practices that undergo rigorous independent assessment each year to ensure they meet the required standards of excellence in areas such as customer care, case management and risk management. The legal team is now a fully shared team which is due to be assessed for joint Lexcel accreditation in July 2012.

Action:

To continue to review the council's constitution to meet the requirements of good governance arising from joint work arrangements with South Oxfordshire District Council.

FINANCIAL FRAMEWORK

FINANCIAL REPORTING

68. The council produces budget monitoring information for both revenue and capital income and expenditure every month from June onwards during the financial year. Budget monitoring reports from the financial management system, which are profiled, are distributed to heads of service and managers every month, within a week of the end of the reporting period. This allows accountancy to ensure that the information is as up to date as possible, for example by ensuring that all cash received up to the end of the previous period is reflected in the figures.
69. 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.
70. The heads of service returns are collated into a budget monitoring report, which is considered by Cabinet. These reports highlight the key variances being forecast by each service, allowing management and Cabinet to focus on them. The quarterly budget monitoring reports to Cabinet are considered on the same Cabinet agenda as the quarterly performance monitoring reports, enabling Cabinet to consider the council's performance at the same time as it considers its budgetary position.
71. The details of any budget virements considered necessary are reported to Cabinet in accordance with financial procedures. All virements over £10,000 are reported to full Council. By making budget transfers in-year, the council is 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 £150,000 unallocated contingency budget.
72. Budgetary control is subject to internal audit review every three years.
73. 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. The council ensures that this information is accurate and relevant by clearing it through the council's accountancy service.
74. On 28 September 2011 within the statutory deadline, the council's Audit and Governance Committee approved the council's financial statement of accounts for 2010/11, and an unqualified audit opinion was received from the district auditor.

75. 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's 2010/11 accounts were the first to be prepared under the international financial reporting standards. The council also subscribes to the Chartered Institute of Public Finance and Accountancy's (CIPFA) finance advisory network and accountants regularly attend these network events and other CIPFA seminars and conferences, which enable them to be prepared for changes to the accounts and maintain currency in accounting regulations. Accountants that attend training courses report back to the rest of the accountancy team on course content.
76. The 2011/12 accounts and annual audit letter will be available to the public and published on the council's website and can be made available in accessible formats. To assist the public in understanding the accounts, there is a foreword that explains the purpose of the accounts and summarises the key messages arising from them. There is also a glossary of terms within the accounts to aid understanding.

BUDGET MONITORING

77. Accountants meet formally 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. The council uses this information to prepare the quarterly budget monitoring reports presented to Cabinet, and to substantiate any in-year budget transfers or supplementary estimates required to meet changing circumstances. In-year budget monitoring enables the budget setting process to be based on the very latest estimates of income and expenditure.
78. Every year the council sets a comprehensive and balanced budget, which in recent years has proved to provide adequate resources indicated by the absence of overspends against total budget.
79. 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. The Scrutiny Committee reviewed the budget in December 2011 and again in February 2012 before its consideration by full Council later in February. Throughout the budget setting process the council's financial position, and budget proposals, are regularly discussed informally by Cabinet and strategic management board, which ensures that Cabinet members have a good understanding of the financial situation.
80. 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 formally receives budget monitoring reports every quarter, culminating in an outturn report that reflects on the overall performance against budget for the previous year. These are based on returns provided by the heads of service.

MEDIUM TERM FINANCIAL PLAN

81. Supporting the annual budget setting process, each year the council produces a five-year medium term financial plan. The medium term financial plan provides a forward-looking budget model that estimates the council's budget needs in future years and demonstrates a sustainable level of balances. This is based on assumptions of the most likely levels of critical factors such as inflation, government grant funding, and the level of investment interest. The medium term financial plan highlights the impact of fluctuating interest rates on the investment income the council will earn in the plan period.
82. Based on the medium term financial plan produced for budget setting, we were able to identify the level of savings that would be required to set the 2012/13 council tax to enable no increase in council tax to be made. To ensure that the council can continue to focus on delivering services more efficiently during difficult economic times, it has taken a pro-active approach to identifying and delivering efficiency savings. It has merged its strategic management board with that of neighbouring district council South Oxfordshire and has embraced "lean" business process re-engineering. This initiative, internally branded as "fit for the future", will come to embrace all services, with the specific intention of delivering the current level of service more efficiently. All the savings identified to date are reasonable, having been subject to review by the strategic management board and Cabinet. The next phase of the lean processes project has forecast further savings of over £300,000 by 2014/15.
83. The budget report presented to Cabinet included a summary of the estimated future balance on reserves at the end of the programme period. Assumptions underpinning the estimates of reserves are reasonable.
84. The council communicates key messages from its financial planning process to staff and stakeholders. New staff undertake an induction process that includes an introduction to local government finance module. This makes staff aware of how the council's budgets are constructed and of the financial pressures the council faces. For line managers, a separate module goes into more detail on the financial planning process, and covers their responsibilities. In 2011, strategic management board held a series of presentations for staff to explain the budget process and the pressures the council faces as part of the budget setting process. The council also sought the views of stakeholders during the budget process, holding a consultation workshop for council taxpayers to discuss budget issues and, for the business community, the council held a separate consultation. The council also seeks feedback on these mechanisms to what value staff and stakeholders place on these activities.

TREASURY MANAGEMENT STRATEGY

85. 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. Officers report performance against the strategy to Council annually.

86. In February 2010, the Audit and Governance Committee took on responsibility for ensuring effective scrutiny of the treasury management strategy, policies and performance in accordance with the CIPFA Prudential code and CIPFA Treasury management code.
87. All the financial 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 ROLE OF THE CHIEF FINANCE OFFICER

88. 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 Governance Committee.
89. 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*.

COUNCILLORS' AND SENIOR OFFICERS' DEVELOPMENT

90. The council offers its councillors a comprehensive induction programme. As a result of the May 2011 elections the council has 22 new councillors. Soon after their election, councillors were invited to an induction evening to sign their declarations of acceptance of office and to sign up to the code of conduct. At the induction session, councillors met the service teams and also indicated their training needs. Training sessions on planning and licensing took place, with needs assessment taking place in order to provide further relevant training. Additional training has taken place during the financial year and will be ongoing. For example, members of the Audit and Governance Committee received training on their governance role with regard to external and internal audit on 6 June 2011. Committee members have since completed a self-assessment questionnaire so that the council can focus further training on their needs; a training programme has been set for 2012/13.
91. Senior officers take part in induction sessions with all staff. Their development opportunities include support towards a nationally recognised qualification e.g. MBA. They can take part in the Common Purpose Matrix (a county-wide senior management development programme) and they can attend programmes such as *aiming to be a corporate director*. Attendees evaluate these programmes, provide feedback at the end of each session,

and line managers review training during the appraisal and formal one to one process between a manager and each member of staff.

92. The strategic management board has attended several workshops to clarify their roles and responsibilities and their interactions between the councillors across the two councils. This ensures they provided clear and consistent leadership for the two organisations.
93. Heads of service attended a workshop to draw on experiences of other local authorities in developing approaches to shared services and to build consistency of approach amongst the heads of service in their service reviews.
94. The council launched a management development programme (Mastering Management) for the recently appointed shared service managers in 2010/11, which continued in 2011/12. This included a module on Leading Impact and Influence that covered skills to influence others, work collaboratively and to have challenging and difficult conversations. Another module was on Leading Performance that covered skills to raise performance within their teams. There were also joint workshops with heads of service and strategic management board that covered leading change and leading teams.
95. As part of the programme, the service managers attended action learning sets where they discussed individual challenges and received ideas on how to handle these situations from their colleagues. They have also been mentored by heads of service and the strategic management board to support them in their new role of managing services across two councils.
96. The council will continue to develop councillors' roles through a councillor development programme. It will be undertaken as a shared programme with South Oxfordshire 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.
97. During 2011/12 senior managers and service managers took up further opportunities to consolidate their management development following the Mastering Management programme. The Mastering Management programme is also being rolled out to team leaders and supervisors to ensure consistency of management practices across all levels of managers.

INTERNAL AUDIT AND THE INTERNAL AUDIT MANAGER

98. 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.
99. The internal audit manager contributes to the assurance process by commenting on the effectiveness and outcome of the programme of internal audits and comments on the effectiveness of the internal control environment

of the council. The internal audit services are now completely harmonised with South Oxfordshire District Council.

100. The internal audit manager's overall opinion offers satisfactory assurance on the basis of internal audit's own work. There is a sound system of internal control in place, but there are some weaknesses which may put some system objectives at risk.
101. During 2011/12, 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 gifts and hospitality arrangements for officers and councillors, and have identified areas for improvement.
102. Internal audit offers assurance that it has complied with the CIPFA Code and a formal quality assurance programme continues to be in place. Internal audit has completed a self-assessment against the code to identify areas for further improvement and actions arising from the self assessment have been incorporated into the activities of the internal audit team.

Action: Anti fraud and corruption training will be offered to councillors and officers in 2012/13.

RISK MANAGEMENT

103. The council harmonised its risk management approach with South Oxfordshire District Council. This enhanced the council's 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. The risk management strategy was also reviewed to incorporate the harmonised approach and also to create a joint strategy for both councils.
104. The new risk management approach ensures that all risks are linked to strategic objectives, the likelihood and impact is assessed, the gross and net risk are identified, and responsibility for mitigating actions is assigned to appropriate officers. There are 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 strategic management board to regularly review the strategic risk registers and also requires officers to report on the contents of operational risk registers to the Audit and Governance Committee.
105. The council has a strategic risk register, owned by strategic management board, with clear links between risks and strategic objectives. The new process requires strategic management board to review the strategic risk register. Responsibility for implementing the required mitigating actions was assigned to either one of the strategic directors or the chief executive. Audit and Governance Committee receives an annual update to the strategic risk register, the last time being on 30 January 2012.

106. Members of Audit and Governance Committee received refresher training 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.
107. 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.
108. Risk management has been incorporated into the council's approach to report writing, where officers are required to detail the risks that the council faces in making a decision.

ANTI-FRAUD AND CORRUPTION, WHISTLEBLOWING AND MONEY LAUNDERING

109. Internal audit's rolling audit plan includes areas such as gifts and hospitality and the register of interests. A pro-active anti-fraud review is completed each year, and testing will identify if existing management controls are sufficient. The council raised the profile of the anti-fraud and corruption and whistleblowing policies by increasing their visibility through inclusion on the council's website and the inclusion of anti-fraud and corruption arrangements in induction packages for new employees. The policy was revised in 2011/12 to reflect the requirements of the Bribery Act 2010.
110. 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.
111. The internal control arrangements in place include the Constitution, the provision of an internal audit service, the presence of an Audit and Governance Committee, transparent governance reporting through an assurance framework, and compliance with relevant laws and regulations.
112. The risk of money laundering to the council remains low. However the council has a money laundering policy and procedures which it introduced in 2003 and has designated the section 151 officer to be the council's Money Laundering Reporting Officer.
113. During 2011/12, the council reviewed its money laundering policy making it a joint policy with South Oxfordshire District Council. At the same time as updating the anti-fraud and corruption policy to build in the requirements of the Bribery Act, the council also undertook to review the policy and brought it to the attention of staff and councillors.

Action: During 2012/13 the council will review the anti-fraud, bribery and corruption policy and the whistleblowing policy.

BUSINESS CONTINUITY

114. The council reviewed its business continuity arrangements during 2009/10 to take into account the management restructure between South Oxfordshire District Council and Vale of White Horse District Council and the decision to rationalise the business continuity arrangements across the two councils. There is a joint business continuity strategy in place with South Oxfordshire District Council, and business continuity plans are supported by the disaster recovery plan and a joint crisis management plan. Each service has a plan administrator who reviews the business continuity plan every quarter and updates the joint crises management plan as required. The council also has a joint disaster recovery site with South Oxfordshire 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.
115. The Audit and Governance Committee received an annual report on 30 January 2012 on the business continuity arrangements, A simulated business continuity exercise took place on 2 May 2012.

AUDIT AND GOVERNANCE COMMITTEE

116. The Audit and Governance Committee undertakes the core functions of an audit committee as set out in CIPFA's Audit Committees – Practical Guidance for Local Authorities (2005), as set out below.
- To consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
 - To seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
 - Be satisfied that the authority's assurance statements, including the Statement on Internal Control (Annual Governance Statement), properly reflect the risk environment and any actions required to improve it.
 - To approve (but not direct) internal audit's strategy, plan and monitor performance.
 - To review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
 - To receive the annual report of the head of internal audit.
 - To consider the reports of external audit and inspection agencies.
 - To ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
 - To review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

117. In early 2012, committee members completed a self assessment so that their training needs could be established and a training programme devised. A training programme has been agreed and will be rolled out during 2012/13.

Action:

To implement the Audit and Governance Committee training programme for 2012/13.

THE SCRUTINY COMMITTEE

118. This committee continues to review the activity of the Cabinet, helps develop council policy, and reviews performance in meeting council objectives.

STANDARDS COMMITTEE

119. Notwithstanding the significant changes to the standards of conduct framework that were expected to come about in 2012, councillors continued in 2011/12 to operate under the code of conduct (the code) adopted in 2007. As the need arises, officers delivered briefings and advice on the code to district and parish and town councillors as well as parish and town clerks.
120. The Standards Committee continued to carry out the local assessment of code of conduct complaints. The committee has twelve members to carry out this role, consisting five district councillors, four independent representatives and three parish council representatives.
121. However, the Localism Act 2011 introduced changes to ethical standards in local government and the council has adopted a new code of conduct on 16 May 2012. This follows the seven Nolan principles of selflessness, integrity, objectivity, accountability, openness, honesty, and leadership. The new standards framework comes into effect in July 2012. As part of this new framework, there will no longer be a standards committee. Instead, the council has designated its monitoring officer as the proper officer for receipt of code of conduct complaints and the Audit and Governance Committee as the committee responsible for dealing with allegations about potential breaches of the code of conduct that the monitoring officer considers it inappropriate for officers to deal with.

EXTERNAL SOURCES OF ASSURANCE ON THE GOVERNANCE FRAMEWORK

122. Issues raised by the council's external auditor, the Audit Commission, and other external inspectors are used to identify improvement areas in our governance arrangements.

LOCAL GOVERNMENT OMBUDSMAN

123. The Local Government Ombudsman provides summary information on complaints about Vale of White Horse District Council to enable the council to incorporate any feedback into service improvement.
124. The Audit and Governance Committee considered the ombudsman's annual review at its meeting on 28 September 2011. The review shows that the

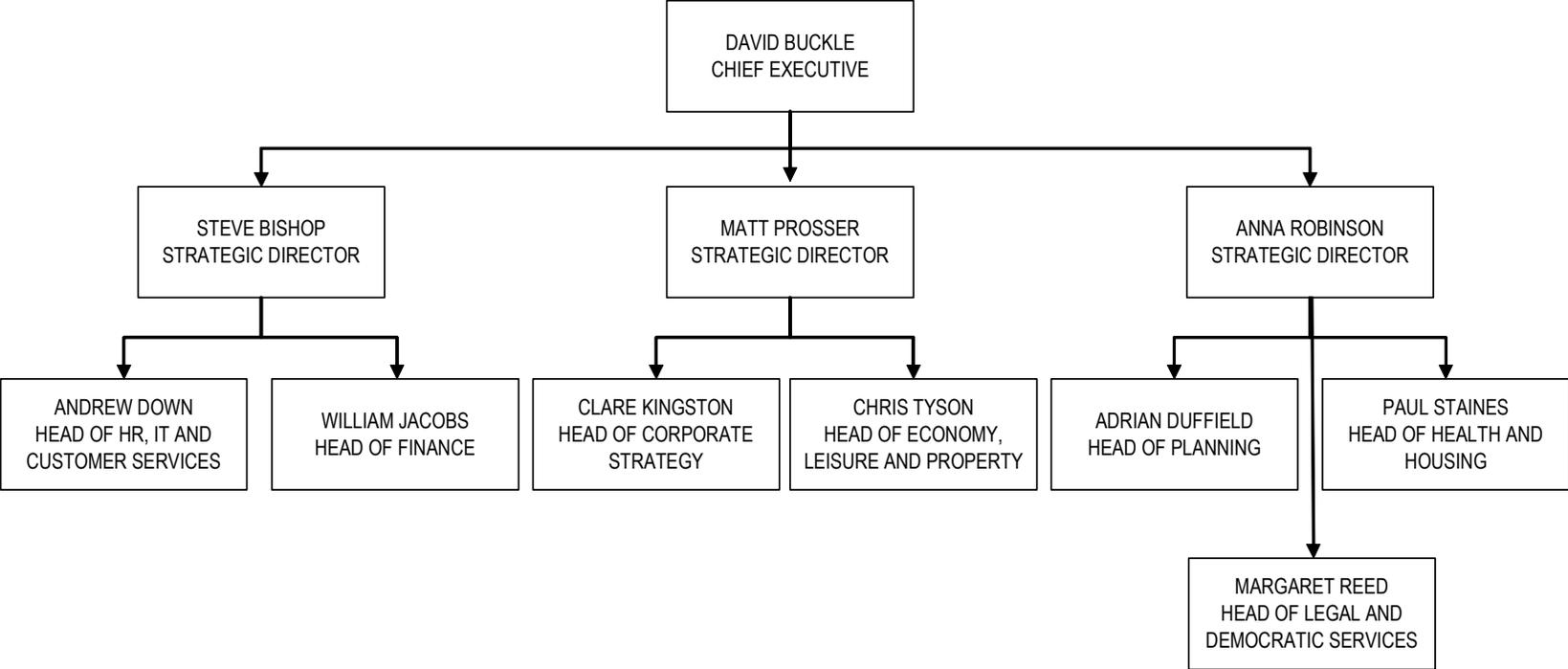
Ombudsman considered three complaints during the year. The ombudsman found no evidence of maladministration. There were a further two cases where the ombudsman referred the complaint to another organisation where these had been outside of the council's control.

5.0 Significant governance issues

125. The council proposes over the coming year to take steps to address the matters set out in the action boxes above to further enhance its governance arrangements. The council is 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	
	Matthew Barber Leader of the Council		

Appendix 1: Vale of White Horse District Council management structure¹



¹ All posts are shared with South Oxfordshire District Council.