Draft Annual Governance Statement 2012/13

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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 for the management of risk.

4. The council has in place corporate governance arrangements and has adopted a local code of governance. This local code of governance is consistent with the "*Delivering Good Governance in Local Government*" publication produced by the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives, which was published in 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 systems 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
The Abbey House
Abingdon
Oxon
OX14 3JE

Tel. (01235) 540307
Email: democratic.services@southandvale.gov.uk

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.

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. The 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 them once approved by Council. The scrutiny function allows a committee to question and challenge the policy and performance of Cabinet and promote public debate.

12. The chief executive, 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 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 South Oxfordshire District Council. The chief finance officer, the monitoring officer and heads of service are responsible for advising Cabinet and Scrutiny Committee on legislative, financial and other policy considerations to achieve the council's objectives and are responsible for implementing councillors' decisions. Our management structure is at appendix 1 to this document.

13. Our governance framework for 2012/13 was based on our local code of governance, which was adopted in 2010. 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:

- Focusing on the council's purpose and on outcomes for the community and creating and implementing a vision for the local area
- Councillors and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny 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. The council's vision is: 'taking care of your interests across the Vale with enterprise, energy and efficiency'. This is supported by our Corporate Plan that sets out the council's strategic objectives and corporate priorities, these are:

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

16. 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 work plan, which identify how they will undertake specific activities, which will deliver our priorities.

17. 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 and Vale Community Safety Partnership - this 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.

- the Oxfordshire Local Enterprise Partnership – 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 Local Enterprise Partnership is responsible for delivering the Science Vale UK enterprise zone.
- the Oxfordshire Waste and Environment Partnerships – these are partnerships of the county and district councils of Oxfordshire who are working together to continuously improve waste management services and general environmental projects within the county.

18. Our other key strategies include:

- the local plan - the council is developing its local plan to cover the period up to 2029.
- equality objectives - the council has set equality objectives in line with the requirements of the Equality Act 2010 and to support the delivery of the councils' Corporate Plan priorities.
- boosting the local economy - partnership working is the key theme behind the council's plans to boost its three market towns of Abingdon, Faringdon and Wantage. The market towns action plans bring together new ideas alongside ongoing projects, as the council continues to work with the Choose Abingdon Partnership, and the Joint Economic Forums for Abingdon, Faringdon and Wantage, 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 plans are 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.

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, work plans 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 the 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, and regularly with their 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 Scrutiny Committee.

LEGAL FRAMEWORK

23. Our 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. 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 in councillors. To this end, the council's Constitution incorporates the Oxfordshire code of conduct, which became effective from 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:

- TREASURY MANAGEMENT STRATEGY

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

- REVENUE AND CAPITAL BUDGET SETTING

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

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

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

32. The chief executive, 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

33. 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.

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

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

36. 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.

37. 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.

38. 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.

Review of effectiveness of the governance framework

39. 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.

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

REVIEW OF OBJECTIVES

41. The section entitled *the strategic planning framework* (paragraph 14) sets out the council's current strategic objectives as a result of a major review of the Corporate Plan in 2011/12 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.

PERFORMANCE MANAGEMENT AND SERVICE PLANNING

42. 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. 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 management structure and the harmonised processes between this council and South Oxfordshire District Council.

43. The performance management handbook contains a data security policy. We implement 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 that are relevant to the council. For each data return we have documented:
    - the service area which collects the data
    - the officer responsible for submitting the data

44. In 2010/11, we introduced a monthly board report which contains a smaller set of key performance indicators selected by the strategic management board and Cabinet. This graphically details performance in the main areas of council activity, namely:

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

45. 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

46. 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.

47. The board report is subject to a rigorous approval process, whereby it is checked by heads of service as data owners, and then by the strategic management board and Cabinet members. We then publish the report to the council's 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, Cabinet members discuss the report.

48. The report has been well received by both councillors and senior management, and is constantly evolving to reflect management requirements. We have automated many of the graphs, so that they now take data directly from the underlying systems. This has been achieved using free software, and this process of automation was completed in 2011/12.

49. 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.

50. The council's approach to performance management received critical acclaim from an independent report by the Advanced Performance Institute. 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.

51. We continue to operate a strong approach to service planning. In January 2009, we held two externally facilitated workshops for all heads of service and service managers, designed to make targets and actions SMART. Following the management restructure with South Oxfordshire District Council, we then implemented a combined approach to service planning from 2010/11. During 2013 the council trained all managers on strategic objective-setting and briefed all staff on it.

52. 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.

53. This year, as a further enhancement to the service planning process, more teams have used 'performance points'. A performance point is generally a board, displayed in a team's service area, which shows how the team is performing against key performance targets (we have some electronic performance points displaying real-time data). Performance points:
   - are divided into three main sections – customer excellence, business management and staff investment
   - increase the visibility of targets and the progress against them
   - increase the relevance of targets to teams
   - are used at regular meetings to discuss performance
   - are used to review performance with politicians and strategic directors

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

55. 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.

56. In January 2012, following a review by Scrutiny Committee, we made improvements to the system for monitoring the performance of contractors.

LEGAL FRAMEWORK

57. At its meeting in July 2008, Council approved the creation of a shared senior management team with South Oxfordshire District Council. In September 2008, a new 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.

58. 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.

59. 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.

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

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

62. Part 3 of the Local Government and Public Involvement in Health Act 2007 required all principal authorities to adopt either an elected mayor and cabinet or a new style

'strong' leader and cabinet. The council had to review its own arrangements by 31 December 2010. Full Council agreed to adopt the strong leader model, which the council implemented in May 2011 with an updated scheme of delegation.

63. 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 on 30 and 31 July 2012, the legal team achieved its first Lexcel accreditation under the joint arrangements.

> **Action:** To continue to review the Constitution to meet the requirements of good governance arising from the joint working arrangements with South Oxfordshire District Council.

FINANCIAL FRAMEWORK

FINANCIAL REPORTING

64. 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 ensured up-to-date information, for example by ensuring that all cash received up to the end of the previous period is reflected in the figures. In future, following appropriate training, heads of service and service managers will be able to generate their own reports from the financial system.

65. 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.

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

67. The Cabinet's quarterly budget monitoring reports include details of any virements considered necessary. 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 contingency budget.

68. 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.

69. 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.

70. In September 2012, the Audit and Governance Committee approved the council's financial statements for 2011/12, and the council's external auditors issued an unqualified audit opinion.

71. 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 Chartered Institute of Finance and Accountancy (CIPFA) finance advisory network and accountants regularly attend these network events, which enables them to prepare for changes to accounting requirements. Accountants that attend training courses report back to the rest of the accountancy team on the content of the course.

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

BUDGET MONITORING

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

74. Every year the council sets a comprehensive and balanced budget, which provides adequate resources and there has been an absence of overspends against total budget in recent years.

75. 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 reviews the budget during December, and also in the period between its consideration by Cabinet and full Council during February. Throughout the budget setting process the council's financial position, and budget proposals, are regularly discussed informally by Cabinet and the strategic management board, which ensures that they have a good understanding of the financial situation.

76. 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

77. Supporting the annual budget setting process, each year we produce a five-year medium term financial plan.

78. The medium term financial plan 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. 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 fluctuations.

79. By using the medium term financial plan to estimate future council income and expenditure the council was able to freeze council tax for 2012/13. To ensure that the council can continue to focus on delivering services more efficiently during difficult economic times, it has taken a pro-active approach to identifying and delivering efficiency savings. It has merged its management team with South Oxfordshire District Council and has embraced "lean" business process re-engineering. This initiative, internally branded as "fit for the future", embraces all services, with the specific intention of delivering the current level of service more efficiently. These savings and others generated by service managers themselves enabled the freeze in council tax for 2013/14. All the savings identified to date were reasonable, having been subject to review by the strategic management board and cabinet.

80. 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.

81. 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. 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

82. 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.

83. We have reserves and short-term cashflow surpluses that generate interest income, which we use to support the revenue budget in year. This means that we budget to use interest earned during the 2012/13 financial year to support the 2013/14 revenue budget. This can prove volatile and therefore prudent budget estimates of interest (based on market advice) are used when setting the medium term financial plan. It has also meant that the prolonged low interest rates that have been experienced in recent times have had a noticeable impact on the funding available to the council.

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

85. All the arrangements detailed above demonstrate that 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 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 22 new councillors. Soon after election, councillors were invited to an induction evening to sign their declarations of acceptance of office and to sign up to the code of conduct. At the induction session, councillors met the service teams and also indicated their training needs. Training sessions on planning and licensing law have been held with needs assessment taking place in order to provide further relevant training. Members of the Audit and Governance Committee have received a self assessment questionnaire so that we can focus training on their needs. A training programme was delivered throughout 2012/13 and will continue in 2013/14. Two new councillors were elected during 2012/13 and were given training in their new committee roles.

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 2012/13, 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 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.

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 South Oxfordshire 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. 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: To 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 South Oxfordshire District Council and this allowed the council to enhance its approach to risk management by incorporating recommendations made by internal audit and considering the comments made by the Audit Commission during its use of resources review. We revised our risk management strategy to incorporate the harmonised approach and to create a joint strategy for both councils. Cabinet approved the strategy in 2009.

101. The risk management approach ensures that all risks are linked to strategic objectives, the likelihood and impact is assessed, the gross and net risks are identified and responsibility for mitigating actions is assigned to appropriate officers. We have designated risk champions for all service 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 a report to the Audit and Governance Committee detailing the contents of operational risk registers.

102. We have a strategic risk register, owned by the strategic management board, with clear links between risks and strategic objectives and the new process 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 the Audit and Governance Committee in March 2013.

103. 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. The 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 anti-fraud initiative; publicises successful cases against fraud; has effective working arrangements; and, shares intelligence with relevant partner organisations e.g. the Police, Department for Work and Pensions, and the Housing Benefit Matching Service. The council has a good record of prosecuting fraudsters and administering penalties and cautions. It undertakes active recovery of fraudulent overpayments and ensures policies are applied consistently.

108. The internal control arrangements in place include the council's Constitution, the provision of an internal audit service, the presence of an active Audit and 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 anti-money laundering policy and procedure and has designated the section 151 officer to be the council's anti-money laundering reporting officer.

110. During the year, we reviewed the anti-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, we also undertook a minor review of the policy and brought it to the attention of staff and councillors.

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

BUSINESS CONTINUITY

111. We started a full review of our business continuity arrangements during 2009/10 to take into account the management restructure and the decision to rationalise the business continuity arrangements with South Oxfordshire District Council. We produced a joint business continuity strategy with South Oxfordshire, which is now in place 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 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.

112. We presented an annual update report to Audit and Governance Committee in March 2013 and a simulated business continuity exercise took place on 2 May 2012.

AUDIT AND GOVERNANCE COMMITTEE

113. Our 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).

114. Following the election of new councillors in May 2011, we again asked committee members to undertake a self assessment so that we understand committee members' training needs. A training programme was rolled out during 2012/13 and will be extended to 2013/14.

115. In May 2012 the full Council agreed that the Audit and Governance 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 in July 2012.

SCRUTINY COMMITTEE

116. Arising from the Fit for the Future review of functions, the council further decided to improve the effectiveness of the scrutiny function with just one scrutiny committee with effect from May 2008. This committee continues to help develop council policy and reviews performance in meeting council objectives.

COUNCILLORS' CODE OF CONDUCT

117. On 8 June 2012 we received confirmation from Government that a new code of conduct would come into effect on 1 July 2012. In anticipation of this legislation the council adopted a revised code of conduct in May 2012, effective from 1 July.

118. In May 2012 the Council decided that it would not have a standards committee but that the Audit and Governance Committee would assume responsibility for dealing with code of conduct complaints.

119. Until 30 June councillors continued to operate under the code of conduct (the code) adopted in 2007.

120. In order to comply with the new legislation, the council agreed the appointment of two independent persons in July.

121. 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.

122. 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 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

123. Issues raised by our external auditor, and other external inspectors are used to identify improvement areas in our governance arrangements. The Audit Commission was the council's external auditor up until 31 October 2012 at which point it was disbanded. Ernst & Young was appointed as the council's external auditor from 1 November 2012.

124. This was the second year the council had prepared its accounts under International Financial Reporting Standards and the Audit Commission issued an unqualified opinion on the financial statements in September 2012. However, the Audit Commission raised several suggestions for quality assurance improvements for the council to build this into the process before the audit of accounts for 2012/13.

Action: Quality assurance procedures should be carried out before the 2012/13 accounts are presented for audit.

- CERTIFICATION OF ANNUAL CLAIMS

125. In January 2013, the Audit and Governance Committee considered the annual certification report 2011/12 from the council's external auditor, Ernst & Young. This looked at the sums the council claimed from the government in grants and subsidies and checked whether the council had correctly accounted for these in its returns to government. The committee noted that the council's housing benefit subsidy claim was subject to both amendment and qualification. The amendment affected the grant due to the council, increasing it by £6,963. The auditor drew the committee's attention to the non-housing revenue account rent rebates section of the housing benefit claim. There were a number of errors disproportionate to the number and value of claims. The auditor believed effective data cleansing of non-housing revenue account cases would significantly reduce these errors, reduce audit time, and reduce the impact on benefit staff in resolving queries.

- LOCAL GOVERNMENT OMBUDSMAN

126. The Local Government Ombudsman provides summary information on complaints about the council to enable it to incorporate any feedback into service improvement.

127. At its meeting in September 2012, the Audit and Governance Committee considered the Ombudsman's letter for the period 1 April 2011 to 31 March 2012.

128. During 2011/12 the Local Government Ombudsman determined seven complaints but had found no evidence of maladministration against the complainants.

129. In terms of complaints received by the council under its own complaints procedure, the number fell to 102, compared to 184 the previous year. Finance and Planning received the highest number of complaints.

Significant governance issues

130. 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	
	Matthew Barber, Leader of the Council		

![Vale of White Horse District Council logo]

Appendix 1: South Oxfordshire District Council management structure[1]

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                              │    DAVID BUCKLE      │
                              │   CHIEF EXECUTIVE    │
                              └─────────────────────┘
          ┌──────────────────────────┼──────────────────────────┐
┌──────────────────┐      ┌──────────────────┐      ┌──────────────────┐
│   STEVE BISHOP    │      │   MATT PROSSER    │      │  ANNA ROBINSON    │
│ STRATEGIC DIRECTOR│      │ STRATEGIC DIRECTOR│      │ STRATEGIC DIRECTOR│
└──────────────────┘      └──────────────────┘      └──────────────────┘
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STEVE BISHOP STRATEGIC DIRECTOR		MATT PROSSER STRATEGIC DIRECTOR		ANNA ROBINSON STRATEGIC DIRECTOR	
ANDREW DOWN HEAD OF HR, IT AND CUSTOMER SERVICES	WILLIAM JACOBS HEAD OF FINANCE	CLARE KINGSTON HEAD OF CORPORATE STRATEGY	CHRIS TYSON HEAD OF ECONOMY, LEISURE AND PROPERTY	ADRIAN DUFFIELD HEAD OF PLANNING	PAUL STAINES HEAD OF HEALTH AND HOUSING

MARGARET REED
HEAD OF LEGAL AND
DEMOCRATIC SERVICES

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1   All posts are shared with Vale of White Horse District Council.   From 17 June 2013, the head of legal and democratic services and her teams will move to Steve Bishop's directorate.