

# Annual Governance Statement 2016/17

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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 exercising its functions, having regard to a combination of economy, efficiency and effectiveness.
3. In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
4. The council has in place corporate governance arrangements, and has adopted a local code of governance. This local code of governance is consistent with the "*Delivering Good Governance in Local Government*" publication produced by the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives, which was published in 2007.
5. This statement explains how Vale of White Horse District Council has complied with its code of governance, and how the council met the requirements of regulation 6 of the Accounts and Audit Regulations 2015, in relation to an annual review of the effectiveness of the council's systems of internal control, and the preparation and approval of an annual governance statement.
6. Our website at [www.whitehorsedc.gov.uk](http://www.whitehorsedc.gov.uk) has a copy of the local code of corporate governance within its Constitution or it can be obtained from:

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

Tel. 01235 422520  
Email: [democratic.services@southandvale.gov.uk](mailto:democratic.services@southandvale.gov.uk)

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

7. The governance framework comprises the systems, processes, culture and values, by which the council is directed and controlled, and activities through which it accounts to, engages with and leads the community. The governance framework enables the council to monitor achievement of its strategic objectives and to consider whether those objectives have delivered appropriate, cost-effective services.
8. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve the council's objectives, and therefore can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of the council's objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
9. The council has had the governance framework described below in place for the year ended 31 March 2017 and up to the date of approval of the 2016/17 statement of accounts in September 2017.

## **The governance framework**

10. The purpose of the governance framework is to do the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Full Council is responsible for directing and controlling the organisation in this manner. Full Council's responsibilities include agreeing the Constitution and key governance documents, the policy framework, and the budget.
11. The council has executive arrangements in place consisting of a cabinet, a scrutiny committee and a joint scrutiny committee with South Oxfordshire District Council. Cabinet is responsible for proposing the budget and policy framework, and implementing 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 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 senior management team that is shared with South Oxfordshire District Council. In August 2016, the chief executive, David Buckle, retired. A new chief executive was appointed and took up this position in September 2016 but he has since resigned and left the councils on 30 June 2017. Mark Stone has been appointed as acting chief executive from 1 July 2017 to 31 March 2018 to allow time for the appointment of a permanent chief executive. The chief finance officer, the monitoring officer and heads of service are responsible for advising Cabinet and scrutiny committees on legislative, financial and other policy considerations to achieve the council's objectives, and are responsible for implementing councillors' decisions.

13. The governance framework for 2016/17 was based on our local code of governance. Within the framework the council aims to meet the principles of good governance in all aspects of its work, giving particular attention to the main principles:
- Focusing on the council's purpose and on outcomes for the community and creating and implementing a vision for the local area
  - Councillors and officers working together to achieve a common purpose with clearly defined functions and roles
  - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
  - Taking informed and transparent decisions which are subject to effective scrutiny
  - Managing risk
  - Developing the capacity and capability of councillors and officers to be effective
  - Engaging with local people and other stakeholders to ensure robust public accountability

#### THE STRATEGIC PLANNING FRAMEWORK

14. To ensure the council does the right things, in the right way, for the right people, in a timely, inclusive, open, honest, cost-effective and accountable manner, the strategic planning framework incorporates residents' and service-providers' views as well as national and local priorities.
15. The councils' strategic objectives and corporate priorities, are set out in its Corporate Plan which was adopted on 11 May 2016. For 2016/17 these were:

##### **Housing and infrastructure**

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

##### **Sustainable communities and wellbeing**

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

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

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

##### **Running an efficient council**

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

16. The four-year Corporate Plan (which has been revised for 2016-2020), along with Oxfordshire-wide plans, guide decisions on how the council invests financial and staffing resources. These plans determine the types of projects the council supports through grant funding. Arising from the Corporate Plan, there are detailed service work plans, identifying how services undertake specific activities to deliver the council's priorities.
17. The council's work with partners takes place both locally to address local issues and also through some formal partnerships, which may be either service specific or more broadly strategic. Some of the key formal partnerships include:
  - South and Vale Community Safety Partnership - this focuses on joint working to reduce crime and the fear of crime, and addresses broader community safety issues affecting local people. It has an annual plan that sets out the partnership's key aims and objectives for the year and is available on the council's website.
  - Oxfordshire Local Enterprise Partnership – this is a body made up of representatives from business, academia and the wider public sector. The partnership's aim is to be the catalyst for realising Oxfordshire's economic and commercial potential. The partnership is responsible for delivering the Science Vale enterprise zones.
18. Our other key strategies include:
  - The local plan: the council is developing its local plan to cover the period up to 2031.
  - Equality objectives: the council has set equality objectives in line with the requirements of the Equality Act 2010 and to support the delivery of the council's Corporate Plan priorities – these are published in the plan.
  - Boosting the local economy: 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/Town Teams for 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. The Vale4Business partnership is a Vale-wide business partnership that provides local businesses with a strategic business voice through closer working with the council.

## PERFORMANCE MANAGEMENT FRAMEWORK

19. The council sets performance targets to achieve its strategic objectives and corporate priorities set out in the Corporate Plan. To ensure the council meets targets and achieves objectives, it has a corporate delivery plan, service work plans and staff have individual workplans and targets, ensuring that a *golden thread* aligns the council's top-level objectives to the work of each council officer.

20. The council will measure performance on its corporate plan through regular reports to Cabinet members and six-monthly reports to the Scrutiny Committee. The Senior Management Team and Cabinet receive monthly board reports which monitor performance on a basket of key measures; and an annual report which benchmarks our performance against other relevant district councils.
21. The council has an individual development and performance review scheme focusing on agreement of targets linked to service work 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, it operates a formal framework for monitoring contractors' performance, and reporting these to the Joint Scrutiny Committee and the Five Councils Partnership Joint Scrutiny Committee.

#### LEGAL FRAMEWORK

23. The council's Constitution sets out how it is managed and guides decision-making towards objectives, and includes a set of procedure rules that govern how we conduct our business. It also includes protocols covering the disclosure of interests in contracts, and the relationship between officers and councillors. The monitoring officer is responsible for ensuring the lawfulness of decision-making and maintaining the Constitution. A full review and update of the Constitution was carried out during 2016/17 and a further review is scheduled for 2017/18.
24. All decisions are made in accordance with the requirements of the Constitution and the scheme of delegation, which forms part of the Constitution. The monitoring officer will report to full Council or to Cabinet if she considers that any proposal, decision or omission would give rise to unlawfulness, or to the Joint Audit and Governance Committee if any decision or omission has given rise to maladministration.
25. In the role of monitoring officer, the head of legal and democratic services contributes to the promotion and maintenance of high standards of conduct by councillors. To this end, the council's Constitution incorporates the councillors' code of conduct.

#### FINANCIAL FRAMEWORK

26. The section 151 officer is responsible for the overall management of the financial affairs of the council. The section 151 officer determines all financial systems, procedures and supporting records of the council, after consultation with heads of service. Any new or amended financial systems, procedures or practices are agreed with the section 151 officer before implementation.
27. Full Council is responsible for approving the treasury management strategy and for setting the revenue and capital budgets.
28. The treasury management strategy governs the operation of the council's treasury function, and is reviewed at least annually or during the year if it becomes necessary to do so. This strategy includes parameters for lending and borrowing, and identifies the risks of treasury activity.

29. Both revenue and capital budgets are set by full Council in February each year. Revenue budget setting includes both the calculation of the council tax base and the surplus or deficit arising from the collection fund.
30. Cabinet has overall responsibility for the implementation of the council's financial strategies and spending plans, and is authorised to make financial decisions subject to these being consistent with the budget and policy framework and the Constitution.
31. Heads of service are responsible for ensuring the proper maintenance of financial procedures and records, and the security of assets, property, records, and data within their service area.
32. The chief executive and heads of service consult with the head of finance and the head of legal and democratic services on the financial and legal implications of any report that they are proposing to submit to full Council, a committee (or sub-committee), or Cabinet.

#### RISK MANAGEMENT FRAMEWORK

33. Risk management is important to the successful delivery of the council's objectives. An effective risk management system identifies and assesses risks, decides on appropriate responses and provides assurance that the chosen responses are effective. The overall responsibility for effective risk management in the council lies with the chief executive supported by the senior management team. The council uses a standard risk management methodology which encompasses the identification, analysis, prioritisation, management and monitoring of risks.
34. Councillors have a responsibility to understand the strategic risks that the council faces, and are made aware of how these risks are being managed through reports to the Joint Audit and Governance Committee.
35. The senior management team is responsible for the identification, analysis and management of strategic risks and undertakes regular reviews of those risks which are incorporated in a corporate risk register.
36. The council has a risk and insurance officer who is responsible for implementing the risk management strategy. The risk management strategy and supporting policies were reviewed in 2016/2017
37. Risk champions have been identified for each service area, and operational risk registers are in place for each service area and all heads of service are responsible for ensuring that risks are identified and prioritised and entered onto the risk register. The risk management strategy, which will be submitted to the Joint Audit and Governance Committee for approval in 2017/18, will establish a risk forum which will meet monthly and the council will review and refresh the operational risk registers and horizon scan future risks during those meetings.
38. All line managers are responsible for implementing strategies at team level by ensuring adequate communication, training and the assessment and monitoring of risks. All

officers are responsible for considering risk as part of everyday activities and provide input to the risk management process.

39. The council also has business continuity management arrangements in place to ensure that priority services can continue to be delivered to our customers in the event of an unforeseen disruption.

<b>Action:</b> To embed the revised risk management arrangements in 2017/178.
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## **Review of effectiveness of the governance framework**

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

### **REVIEW OF OBJECTIVES**

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

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

43. The council has a monthly board report which contains a smaller set of key performance indicators selected by the strategic management board and Cabinet members.  
This graphically details performance in the main areas of council activity, including:
- planning
  - housing
  - finance
  - waste management
  - benefits administration
44. The charts in the board report present:
- current performance
  - last year's performance for comparison
  - year-end target
  - latest year-end prediction by officers, where appropriate
  - a narrative supplied by the responsible officer, where appropriate.
45. Monthly analysis of the board report demonstrates that the council is meeting the majority of key performance measures. In addition, the analysis shows a long-term, on-going trend of improvement.

46. The board report is subject to a rigorous approval process, whereby it is checked by heads of service as data owners, and then by the senior management team. The council then publishes the report to 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 or, where appropriate, Joint Scrutiny Committee meeting. On a quarterly basis, Cabinet members discuss the report.
47. The report has been well received by both councillors and senior management, and is constantly evolving to reflect management requirements.
48. The council has continued its approach of asking target and action owners to forecast whether they are on track to deliver year-end outcomes. For each target or action that is 'below target', the owner must provide an action to get back on track or an explanation.
49. The council's approach to performance management has 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.
50. In addition to the monthly board report, the council also produces an annual report that compares the council's performance with all other non-metropolitan district councils. This is used internally to identify any relatively weak areas requiring attention.
51. The council continues to operate a strong approach to service work planning, ensuring that targets and actions are SMART (specific, measurable, achievable, realistic and time-bound).
52. As a further enhancement to the service work planning process, many teams are using 'performance points'. A performance point is a regularly-updated notice board, displayed in a team's service area, which shows how the team is performing against key performance targets. However, there are also electronic performance points displaying real-time data. Performance points:
  - are divided into three main sections – customer excellence, business management and staff investment
  - increase the visibility of targets and the progress against them
  - increase the relevance of targets to teams
  - are used at regular meetings to discuss performance
  - are used to review performance with politicians and strategic directors
53. The council has a standard process for monitoring the performance of contractors, which is regularly reviewed and updated; each of our contractor's performance is scrutinised annually by the Joint Scrutiny Committee.
54. 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.

**Action:** To deliver the year's targets in the corporate plan 2016-2020 during 2017/18.

## LEGAL FRAMEWORK

55. In July 2008, the Council approved the creation of a shared senior management team with South Oxfordshire District Council. In September 2008, the chief executive of South Oxfordshire District Council was appointed to the post of shared chief executive. In December 2008, strategic directors were appointed to the shared management team, in February 2009 shared heads of service were appointed, and in April 2010 service managers took up their positions. Since then, most staff have progressively moved into a role shared across the two councils. At the outset of this shared process, the council's monitoring officer was satisfied that the procedure adopted in the recruitment process complied with all relevant legislation.
56. 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.
57. In September 2008, Council agreed that all references to the chief executive, head of paid service, electoral registration officer and returning officer contained in the Constitution should apply to the shared chief executive when acting in those roles for each council with effect from 17 September 2008. Following the appointment of the strategic directors and heads of service in 2008 and 2009 respectively, a harmonised scheme of delegation to officers and harmonised contract procedure rules were introduced to meet the requirements of joint working with South Oxfordshire District Council.
58. The Joint Constitution Review Group has been holding regular meetings during 2016/17 with a view to creating, as far as possible a, single constitution for both Councils. A fully revised joint Constitution was approved by each Council in 2016/17. Each council remains an independent legal entity and where the approach or procedures of each council differ, then these are reflected in the Constitution.
59. The monitoring officer did not need to use her statutory powers during the year.
60. Part 3 of the Local Government and Public Involvement in Health Act 2007 required all principal authorities to adopt either an elected mayor and cabinet or a new style 'strong' leader and cabinet. The Council has adopted the strong leader model.
61. Lexcel is the accreditation quality mark which the Law Society has developed. This has been awarded to the council's legal team, which must undergo a rigorous independent assessment each year to ensure it meets the required standards of excellence in areas such as customer care, case management and risk management.

**Action:** To continue to review the Constitution to meet the requirements of good governance arising from the joint working arrangements with South Oxfordshire District Council and to submit any revisions to this Council and South Oxfordshire District Council in 2017/18.

## FINANCIAL FRAMEWORK

### FINANCIAL REPORTING

62. The council produced budget monitoring information for both revenue and capital income and expenditure every quarter from June onwards during the 2016/17 financial year. Budget monitoring reports are available from the council's financial management system, which are profiled, to heads of service and managers every quarter, within two weeks of the end of the period. This ensures up-to-date information, for example by ensuring that all cash received up to the end of the previous period is reflected in the figures. Heads of service and service managers are able to generate their own reports from the financial system at any time.
63. From quarter two onwards, heads of service are required to submit a return to accountancy, which provides reasons for budget variances, and forecasts the end of year outturn position. These are collated into a budget monitoring report which is considered by the senior management team before being reviewed by finance portfolio holders and circulated to other councillors. These reports highlight the key budget variances being reported by each service, allowing management to focus on them. If required, budget virements can be made during the year. By making such budget virements in-year, the council is able to realign resources to ensure that overspends do not impact on its ability to deliver other services. This is assisted by the prudent inclusion of a contingency budget.
64. Budgetary control is subject to an internal audit review every three to four years. Otherwise, budgetary control is generally reviewed in audits of teams or service areas.
65. For all committee reports for which a decision is required, a "financial implications" section is included which details the actual, and potential, financial consequences of the decision being taken. An accountant ensures that this information is accurate and relevant.
66. In September 2016, the Joint Audit and Governance Committee approved the council's financial statements for 2015/16, and the council's external auditors issued an unqualified audit opinion.
67. Each year's accounts and annual audit letter are available to the public and are published on the council's website. These are available in accessible formats on request. To assist the public in understanding the accounts, there is an explanatory foreword in the financial statements that explains the purpose of the accounts and summarises the key messages arising from them. There is also a glossary of terms within the accounts to aid understanding.

## BUDGET SETTING

68. Accountants meet with all service heads or their staff at least every quarter during the financial year to discuss performance against budget and to highlight areas of potentially significant over- or under-spend. This information is used to prepare the budget monitoring reports presented to the senior management team, and to substantiate any in-year budget transfers or supplementary estimates required to meet changing circumstances. The in-year monitoring of budgets enables the following year's budget setting process to be based on the latest estimates of income and expenditure.
69. 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.
70. The council's budget planning cycle is well established, starting with a base budget position produced by officers. Officers complete the annual budget for consideration by Cabinet in early February, before it is discussed and approved at full Council later that month. Scrutiny Committee reviews the budget during February. Throughout the budget setting process the council's financial position, and budget proposals, are regularly discussed informally by Cabinet members and the senior management team, which ensure that they have a good understanding of the financial situation.
71. Once the budget is set, the monitoring of income and expenditure against budget continues throughout the financial year by the senior management team, culminating in an outturn report that reflects on the overall performance against budget for the previous year. These are based on returns provided by the heads of service.

## MEDIUM TERM FINANCIAL PLAN

72. Supporting the annual budget-setting process, each year the council publishes a five-year medium term financial plan. This provides a forward-looking budget model that estimates the council's budget needs in future years, and indicates the required level of savings needed in future years to balance the budget. This is based on assumptions of the most likely levels of such critical factors as government grant funding, the level of investment interest, and inflation. These are subject to fluctuations.
73. By using the medium term financial plan to estimate future council income and expenditure the council was able to freeze its council tax for 2016/17. To ensure that the council can continue to focus on delivering services more efficiently during difficult economic times, it has taken a pro-active approach to identifying and delivering efficiency savings. Savings realised when the council merged its management team with South Oxfordshire District Council and embraced "lean" business process re-engineering have been added to by the sharing of offices. These savings, along with other savings generated by service teams, enabled the freeze in council tax for 2016/17. All the savings identified to date were reasonable, having been subject to review by the then strategic management board and Cabinet.
74. The budget report presented to Cabinet included a summary of the estimated balance on key reserves at the end of the capital programme period. Assumptions

underpinning the estimates of reserves were deemed reasonable by the section 151 chief finance officer.

75. 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. This makes staff aware of how the council's budgets are constructed and of the financial pressures the council faces. Staff involved in the budget setting process received appropriate guidance and training from accountancy staff.

#### TREASURY MANAGEMENT STRATEGY

76. The council's treasury management strategy, which Council agrees annually, sets out the council's policy on managing its investments, which ensures that it has sufficient cash to meet its needs, and that returns are maximised whilst maintaining the security of the council's assets. The strategy has regard to the Code of Practice for Treasury Management, and the CIPFA Prudential Code. Cabinet and the Joint Audit and Governance Committee monitor performance against the strategy twice each year.
77. The council has reserves and short-term cash flow surpluses that generate interest income, which we use to support the revenue budget in year. This can prove volatile and therefore prudent budget estimates of interest (based on market advice) are used when setting the medium term financial plan. Prolonged low interest rates that have been experienced in recent years have had an impact on the funding available to the council.
78. The Joint Audit and Governance Committee takes responsibility for ensuring effective scrutiny of the treasury management strategy, policies and performance in accordance with the CIPFA Prudential code and CIPFA Treasury Management code.
79. All the arrangements detailed above demonstrate that Cabinet and the senior management team exercise collective responsibility for financial matters. All members of the senior management team accept individual and collective responsibility for the stewardship of use of resources and financial accountability.

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

80. 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*.
81. The section 151 officer, or chief financial officer, has a responsibility to ensure that an effective internal audit function is resourced and maintained. The council requires its internal audit team to provide an effective service in accordance with professional standards, and internal audit officers must abide by the Institute of Internal Auditors Code of Ethics and receive suitable training and development to maintain the appropriate skills, experience and competence. The performance of internal audit is subject to quarterly review by the Joint Audit and Governance Committee.

## COUNCILLORS' AND SENIOR OFFICERS' DEVELOPMENT

82. Councillors are offered a comprehensive induction programme after their election. This includes initial and ongoing training sessions on planning and licensing law, along with a range of other skills based training e.g. chairing meetings, effective scrutiny, personal influencing, with needs assessment taking place in order to provide further relevant training. Members of the Joint Audit and Governance Committee also have a training programme.
83. The development opportunities for senior officers include support towards a nationally recognised qualification e.g. a Master of Business Administration. They can also attend other strategic leadership programmes. Attendees evaluate these programmes, provide feedback at the end of each session, and line managers review training during the development and performance review and the formal one to one process.
84. In recent years, the senior 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.
85. All service managers have had the opportunity to take part in our management development programme (Mastering Management). This was also rolled out to team leaders and supervisors. It includes a module on *leading impact and influence* that covered skills to influence others, work collaboratively and to have challenging and difficult conversations. Another module is on *leading performance* that covered skills to raise performance through coaching within their teams.
86. As part of the programme, staff attend *action learning sets* where they discuss individual challenges and receive ideas on how to handle these situations from their colleagues. In addition, all managers and team leaders have the opportunity to have a senior mentor, and many have taken this up. All these programmes ensure consistency of management practices across all levels of managers.
87. Following the elections in 2015, the council undertook a shared programme with South Oxfordshire District Council. The programme included training and support to develop the effectiveness of councillors in their different roles in order to make decision-making in council and committee meetings more effective. The programme encouraged councillors to engage in training to meet their needs as well as the council's needs. The council will continue to develop councillors' roles through ongoing training.
88. The council will continue to offer senior managers, service managers, and team leaders/supervisors further opportunities to consolidate their management development through refresher and follow-up sessions. Following the proposed management restructure in 2017/18, we will re-evaluate management development needs.

register and also requires a report to the Joint Audit and Governance Committee summarising the main risks.

97. The council has a corporate risk register, owned by the senior management team, with clear links between risks and strategic objectives. The process requires the senior management team to review the corporate risk register. Responsibility for implementing the required mitigating actions is assigned to managers.
98. 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.
99. The senior management team has identified dependence on partnerships as a strategic risk and included this in the corporate risk register.
100. 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.

<b>Action:</b> To embed the revised risk management arrangements in 2017/18.
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#### ANTI-FRAUD, BRIBERY, MONEY LAUNDERING AND WHISTLEBLOWING

101. Internal audit's rolling audit plan includes areas such as gifts and hospitality and the register of interests. A pro-active anti-fraud review is completed each year, and testing will identify if existing management controls are sufficient. The council has raised the profile of the anti-fraud, bribery and corruption policy and the whistleblowing policy by increasing their visibility through inclusion on the council's website and the inclusion of anti-fraud and corruption arrangements in induction packages for new employees.
102. 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.
103. The internal control arrangements in place include the council's Constitution, the provision of an internal audit service, the presence of an active Joint Audit and Governance Committee, transparent governance reporting through an assurance framework, and compliance with relevant laws and regulations.
104. The risk of money laundering to the council remains low. However, the council has an anti-money laundering policy and procedure and has designated the section 151 officer to be the council's anti-money laundering reporting officer.
105. In 2016/2017, the council reviewed the anti-money laundering policy, and it is currently pending approval. In 2015/16 the council reviewed the anti-fraud and corruption policy

**Action:** To continue to develop councillors' and officers' roles through ongoing training and development programmes during 2017/18.

## INTERNAL AUDIT AND THE ASSURANCE MANAGER

89. Internal audit is an independent assurance function that primarily provides an objective opinion on the degree to which the internal control environment supports and promotes the achievement of the council's objectives. It assists the council by evaluating the adequacy of governance, risk management, controls and use of resources through its planned audit work, and recommending improvements where necessary.
90. The assurance 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.
91. The assurance manager's overall opinion offers satisfactory assurance on the basis of internal audit's own work during 2016/17. There is basically a sound system of internal control in place, but there are some weaknesses, which may put some system objectives at risk.
92. During 2016/17, the internal audit team has undertaken proactive anti-fraud compliance testing to evaluate whether the control environment is sufficiently robust and to highlight areas of concern with regards to fraud and corruption issues; the compliance testing resulted in three high risk and one low risk recommendation.
93. No suspicion of fraud and corruption by councillors was reported to the assurance manager in 2016/17. The assurance manager has reviewed the entries in the gifts and hospitality register and there are no concerns.
94. Internal audit provides assurance that it has complied with the CIPFA Code and a formal quality assurance programme continues to be in place. The internal audit framework was reviewed in 2015/2016 and no changes were required.

**Action:** To provide anti-fraud and corruption training for councillors and officers in 2017/18.

## RISK MANAGEMENT

95. Paragraphs 33 – 39 above describe the council's framework for risk management. The risk and insurance officer has reviewed the current arrangements and will deliver a revised risk management framework across the council once the new strategy has been approved.
96. The risk management approach ensures that all risks are linked to strategic objectives, the likelihood and impact are assessed, the gross and net risks are identified and responsibility for mitigating actions is assigned to appropriate officers. The council has designated risk champions for all service areas who will meet on a monthly basis and review the operational risk registers and horizon scan possible future risks. The process requires the strategic management team to regularly review the corporate risk

and the whistleblowing policy. A review of the council's anti-money laundering arrangements was also undertaken and an action plan is in place.

**Action:** To embed the revised anti-money laundering arrangements in 2017/18.

#### BUSINESS CONTINUITY

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

**Action:** To embed the revised business continuity framework in 2017/18.

#### JOINT AUDIT AND GOVERNANCE COMMITTEE

107. In May 2015 the Council agreed to establish a joint audit and governance committee with South Oxfordshire District Council to replace both councils' individual committees. The purpose of a joint committee is to ensure a consistent approach, avoid duplication of resources and improve joint working between both councils. The Joint Audit and Governance Committee undertakes the core functions of an audit committee as set out in CIPFA's Audit Committees – Practical Guidance for Local Authorities (2005).

**Action:** To continue to embed the joint audit and governance committee in 2017/18, in place of the individual committees at South and Vale.

108. Each council continues to have an individual audit and governance sub-committee to agree procedures for and handle individual code of conduct complaints against district, town and parish councillors. The joint committee and the sub-committees reviewed the procedures for dealing with code of conduct complaints in March 2016.

#### SCRUTINY COMMITTEE

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

**Action:** To continue to embed the joint scrutiny committee in 2017/18, meeting at least twice a year, to review a number of standing items that affect both councils such as the performance of contractors.

#### COUNCILLORS' CODE OF CONDUCT

110. The current code of conduct came into effect on 1 July 2012. Following the elections in 2015, we provided code of conduct training for district councillors and parish council clerks and chairman in 2015/16. As the need arises, officers provide advice on the code to district and parish and town councillors as well as to parish and town clerks. The monitoring officer issued guidance on bias in decision-making in February 2016.

111. In order to comply with the statutory requirements, the council appoints two independent persons to advise the monitoring officer and councillors on code of conduct complaints. The monitoring officer decides what action to take on complaints. The monitoring officer did not refer any complaints for formal investigation in 2016/17.

## EXTERNAL SOURCES OF ASSURANCE ON THE GOVERNANCE FRAMEWORK

112. Issues raised by our external auditor, and other external inspectors are used to identify improvement areas in our governance arrangements. Ernst & Young was appointed as the council's external auditor from 1 September 2012.
113. The council prepares its accounts under International Financial Reporting Standards and Ernst & Young issued an unqualified opinion on the council's 2015/16 financial statements in September 2016.

## CERTIFICATION OF ANNUAL CLAIMS

114. In January 2017, the Joint Audit and Governance Committee considered the annual certification report 2015/16 from the council's external auditor, EY (previously known as 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. EY had certified Vale's claim worth £28m. No qualification letter was issued.

## LOCAL GOVERNMENT OMBUDSMAN

115. The Local Government Ombudsman provides summary information on complaints about the council to enable it to incorporate any feedback into service improvement.
116. At its meeting in June 2017, the Joint Audit and Governance Committee considered the Ombudsman's letter for the period 1 April 2016 to 31 March 2017. During 2016/17 the Local Government Ombudsman determined six complaints and found no evidence of maladministration by the council.

## Current governance issues

### MANAGEMENT RESTRUCTURE

117. During 2016/17, there were significant changes to the joint senior management team. David Buckle retired as chief executive on 31 August 2016, and in addition two strategic directors left the council through voluntary redundancy. A new chief executive, David Hill, was appointed and took up this position in September 2016.
118. The council engaged an external advisor to undertake a review of the redundancies that took place in 2016/17. The findings from this review identified control weaknesses in some of the processes that were followed. Internal audit is reviewing those findings to make recommendations to address the control weaknesses identified.

119. David Hill has since resigned and left the councils on 30 June 2017. Mark Stone has been appointed as acting chief executive from 1 July 2017 to 31 March 2018 to allow time for the appointment of a permanent chief executive. One of his early tasks will be to bring forward proposals for and then implement a senior management restructure. In the meantime an interim management restructure has been put in place.



**Actions:** a) Internal audit to review voluntary redundancy processes in place and to make recommendations to address any control weakness identified.  
b) To agree and implement a senior management restructure in 2017/18.  
c) To appoint a permanent chief executive in 2017/18.

## CORPORATE SERVICES PROJECT

120. The corporate services project commenced in April 2014, attracting three new district council partners in addition to South and Vale and generating substantial market interest ahead of two simultaneous EU procurement exercises. In addition to re-tendering services which South and Vale contracted out ten years ago to Capita, the councils also invited firms to tender for a range of services currently delivered by in house teams. In January 2016, Cabinet designated Capita as the preferred bidder for Lot 1 services (revenues and benefits, customer services, accountancy, licensing, land charges, IT operations, HR and procurement) and Vinci as the preferred bidder for Lot 2 services (property management, facilities management and car parks). Contracts are now in place with a service commencement date of 1 August 2016 for South and Vale.
121. The council entered into an inter authority agreement (IAA) with the other councils to cover the procurement and the governance of the future partnership of the councils (the 5 Councils Partnership). In addition a joint client team, a joint committee and a five councils' joint scrutiny committee has been established to oversee the delivery of the contracts.
122. A review of the contractual and inter-authority arrangements is currently underway and a report will be submitted to Cabinet and Council in 2017/18.

**Action:** To review the contractual and governance arrangements for the corporate services contracts and the 5 Councils Partnership in 2017/18 and to revise them as necessary to ensure that they are operating effectively.

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

Signature		Date	18.9.17
	Mark Stone Acting Chief Executive		
Signature		Date	29. IX. MMXVII
	Matthew Barber, Leader of the Council		